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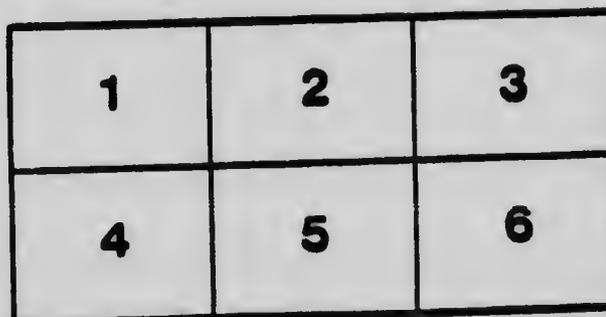
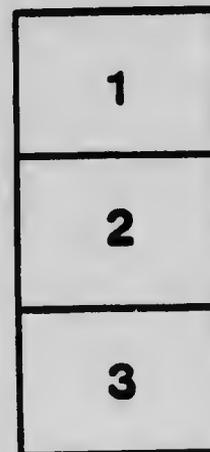
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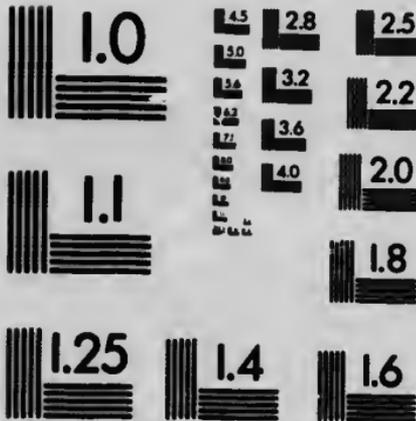
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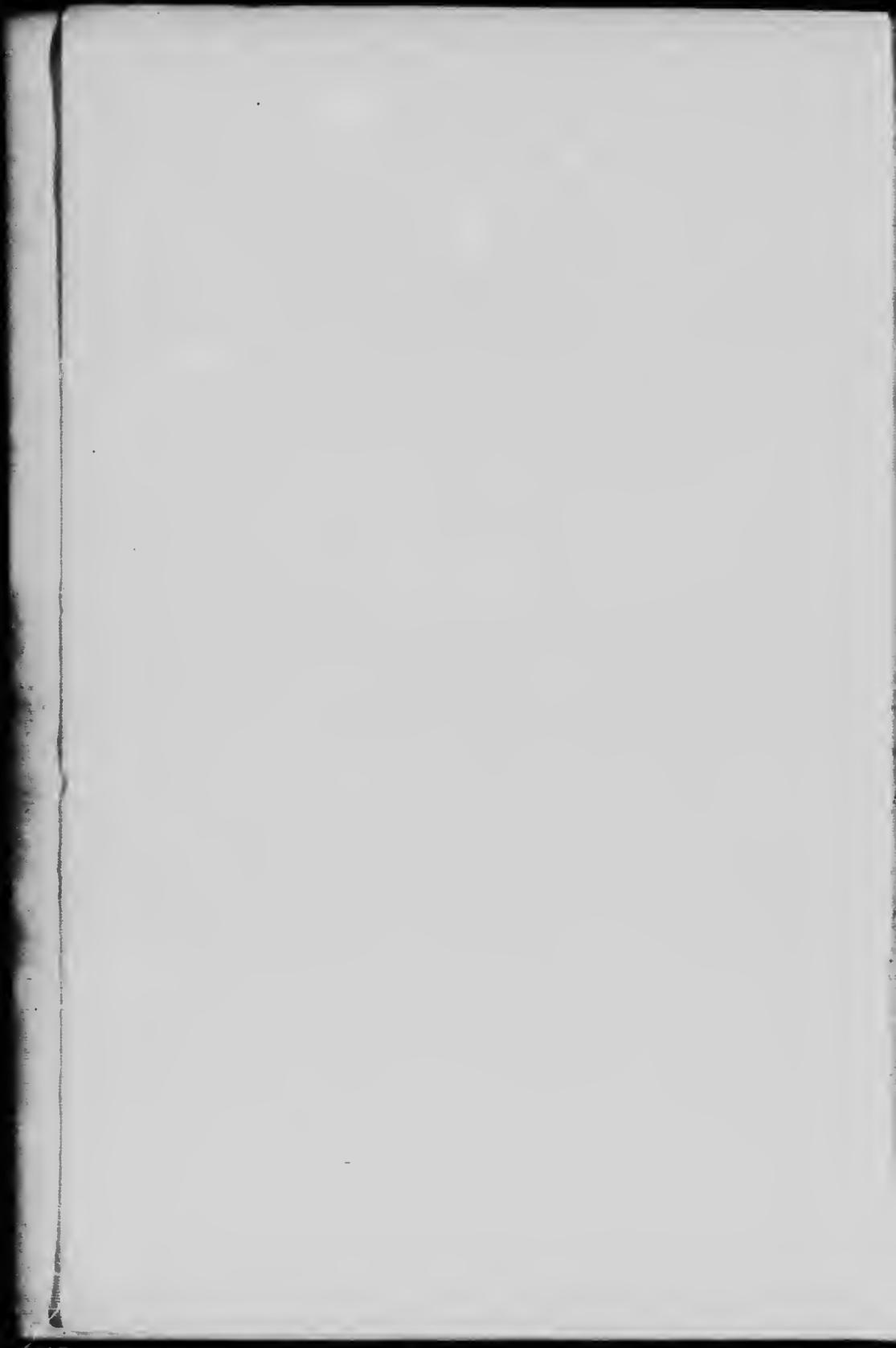
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MAIN TYPES OF HUMAN FAMILY

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PRINCIPLES OF COMMERCIAL HISTORY

BY

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PREFACE

THIS small volume is the outcome of several years' experience in the teaching of commercial history to adults at the Polytechnic School of Commerce, Regent Street, London. It is an attempt to provide a concise account of the way in which, from very simple beginnings, commerce has attained to its present astounding magnitude, and how, in the course of time, it has passed through various stages of development which, in turn, have led to the transference from one nation to another of commercial supremacy.

To-day, when so much interest is being taken in commercial education, it seems unnecessary to emphasize the importance to the commercial aspirant of the combination of general education with technical knowledge. It is not sufficient for a business man to know merely the routine of his branch of work: he must also aspire to become a good citizen who has reflected upon the historical connection of things; he must also learn to form an opinion of his own, and be able to draw from the past conclusions concerning the future. Especially should we expect the educated business man to possess clear ideas as to the nature, development, and general economic significance of his own calling. In this case, he will be able to judge more exactly the phenomena of modern business life, since he will have already observed the conditions of their origin in far-distant periods of commercial history. Moreover, the last few generations have witnessed an enormous growth of specialization, so that it now requires great effort to become familiar with a single branch of commercial activity. The study of commercial history has thus become more essential for the future business man if he is to keep in touch with, and to retain a just conception of, the ever-changing forms of commercial intercourse.

In conclusion, it is my pleasant duty to thank my friend and colleague, Mr. W. J. Bradley, B.Sc., for his kind assistance in reading the proofs for me.

J. STEPHENSON.



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INTRODUCTION

SCOPE OF THE SUBJECT.—Commercial history is a part, and an essential part, of the history of civilization. Its aim is to trace how, in the course of time, material conditions have changed among the various peoples of the earth, and what circumstances have exercised a permanent influence upon the development of exchange. The history of a nation's commerce should embrace a description of the country's general economic condition at the time when it first became known; the surplus raw materials grown which could be exchanged for the products of other lands; the prevailing means of communication; the neighbouring countries with which trading intercourse has, from time to time, been conducted; the influence of political treaties on the economic life of the people, and the factors which have gradually led to changes in the methods of industry. In short, the study of the past should enable us to see why commercial supremacy has passed from one nation to another, so that in the future we may avoid mistakes and take such precautions that the prosperity of our own nation may be ensured.

PRE-HISTORIC TIMES.—The origin of commerce is to be sought for in the beginnings of early society. A knowledge of the evolutionary process through which organic life has developed leads us to abandon the belief that man appeared ready-made on the earth, and the view of man as a fallen angel fails to conform to the discoveries of archaeologists. Man is a being rising slowly from a lower to a higher plane, whose best is in the future and not in the past. We cannot think of our pre-historic ancestors as leading a life of perfect harmony, for there is evidence to show that their lives were hard beyond imagination. It may with good reason be asked (since historical records do not begin until man has reached a considerable development), how information can be derived as to the doings of primitive man. History does not offer us any information as to the origin of institutions. We have to rely upon pre-history and the methods of the pre-historian. His method is called the stratigraphical method, because it is based upon the study and examination of the geological layers of the

earth. In this way an estimate can be made of the age of plants, animals, and human beings, the remains of which are found in the different strata. This method of research points back to the immense periods of time, to be reckoned by hundreds of thousands of years, since life first made its appearance on the earth. Pre-historic times embrace by far the longest epoch of human existence with the most fundamental discoveries and inventions, whereas historical times reach back six or seven thousand years at the most. Thus, for instance, in the peat moors of Denmark, stone weapons have been found which must have been deposited there about eight thousand years ago. In the mud of the river Nile, in Egypt, articles of pottery have been discovered at such a depth that it is computed that they must have been deposited there eleven thousand years before the Christian era. On the basis of the pre-historic languages from which a conclusion can be drawn, etymological research shows that the most important historical peoples were the Chinese, Iranians, and Indo-Aryans, the Semites, and their forerunners—the Hamites (*i.e.*, the Egyptians). According to ancient legends and traditions, all these races are supposed to have had a common geographical origin in a district stretching from the northern slopes of the Hindu Kush and its outliers, to the Taurus Mountains, and bordered on the East by the Altai, or Heavenly Mountains of the Chinese, and on the west by the Ararat and the Caucasus.

The Ascent of Man in Relation to Geology. However far back the traces of the first appearance of man may date, the space of time thus covered seems insignificant as compared with the geological evolution of the earth, which has been divided into three great periods. (*See diagram, page xiii.*)

It is only in the youngest of these three periods that traces of men can be found. In Europe, the first migration of men seems to have taken place about the latter part of the Diluvial period. In the glacial period of that time, not only Scandinavia and Great Britain, but also Northern France, the Netherlands, and Northern Germany and Poland were covered with ice; whilst the glaciers of the Alps reached far down into Bavaria and Swabia—a fact which is proved by the existence of the so-called erratic blocks or foundlings. These glaciers disappeared when the Gulf Stream Drift, which originally hugged the Eastern Coast of North America and

DIAGRAM SHOWING THE BEGINNINGS OF LIFE AND THE ASCENT OF MAN

Ages	Geological Formation.	Reason of Name.	Protozoasmitic Life—(e.g., the Amoeba.)	Invertebrate Animals—(e.g., jelly fish and coral builders.)	Fishes.	Amphibia, Reptiles.	Birds.	Mammalia.	Man.
Recent Life System.	1. Quaternary or Recent (about 400,000 years)	From being the old fourth system, and from being recent							
	2. Tertiary (about 3,000,000 years)	From being the third of the old Geologic systems							
	3. Cretaceous or Chalk (about 3,000,000 years)	From its chalk rocks							
	4. Oolitic or Jurassic	From its egg-grained rocks, and from Mount Jura							
Middle Life System.	5. Triassic (about 3,000,000 years)	From consisting of three groups							
	6. Permian (about 3,000,000 years)	From Perm in Russia							
	7. Carboniferous (about 3,000,000 years)	From its coal strata							
	8. Devonian and Old Red Sandstone (about 6,000,000 years)	From Devon and its red sandstone							
Ancient Life System.	9. Silurian (about 6,000,000 years)	From Siluria or South Wales							
	10. Cambrian (about 6,000,000 years)	From Cambria or North Wales							
	11. Laurentian	From the St. Lawrence in North America							

produced luxuriant flora and fauna in Greenland, deviated more toward the East and, finally, reached Europe; and when the Sahara Desert—the remains of an African inland sea—led to an increase in the temperature. It is thus that European latitudes have gradually come to possess a higher mean temperature than the corresponding ones in America, whilst in Europe the glaciers of the Glacial Period have slowly disappeared, leaving Greenland more and more icebound.

The First Form of Exchange was Barter. From the results of scientific research, there can be no doubt that human migration had already taken place on a large scale in pre-historic times, and that a certain amount of exchange by barter was carried on.

The civilization of that time has been divided into various stages, according to the nature of the material of which tools were made, so that there may be distinguished a Stone, a Bronze, and an Iron Age.

The Stone Age. The Stone Age is divided into an Old or



PALEOLITHIC TOOLS

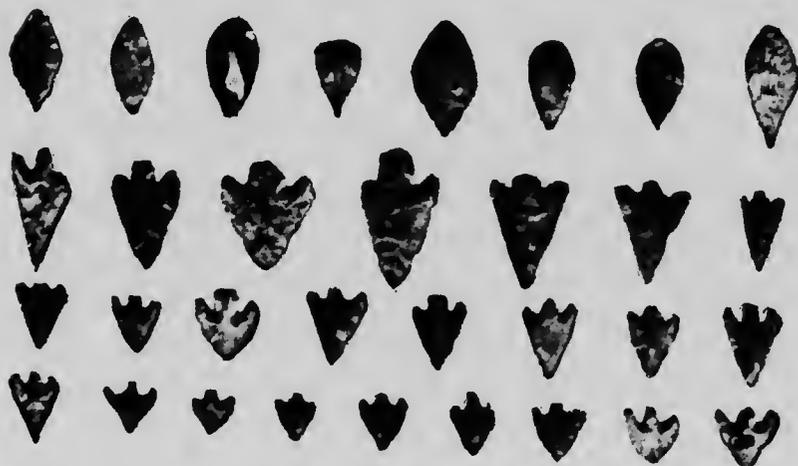
PALEOLITHIC¹ PERIOD, and the New or NEOLITHIC PERIOD. The OLD STONE AGE coincides in general with the Diluvial or Glacial Period, and is characterized as the epoch in which man made his tools from roughly shapen stones or flints, except in some cases,

¹ The latest research calls the earliest part of this Paleolithic Period—the Eolithic Period.

where the bones of animals (especially the reindeer), horn, or wood, furnish the material. In this age man was in continual strife with the forces of Nature, and with now extinct animals of large size (*e.g.*, the mammoth, the reindeer, the musk ox, the cave lion and bear, and the wolf).

He resided in caves and lived chiefly on the flesh and marrow of the animals he slew, as well as on berries and fruit. In the absence of the art of weaving, his clothing consisted of the skins of wild animals.

At this time there were neither useful plants nor domestic animals



NEOLITHIC TOOLS

in existence, nor were there any signs of domestic industry. On the other hand, man had already become acquainted with the uses of fire.

On a much higher plane of development than the Old Stone Age was the **NEW STONE, or NEOLITHIC AGE**, with its civilization belonging to the Alluvial or post-glacial period, which is characterized by the use of carefully worked, polished and ground, and, later, perforated, stone implements. During this period man already inhabits the temperate latitudes. Hunting and fishing are no longer his sole occupations, but, in addition, he keeps domestic animals, cultivates plants, exercises certain manufacturing operations, and probably exchanges certain products for others. From

this period finds have been made over a large area of the earth's surface, and especially in the so-called kitchen-middens of Denmark, consisting chiefly of the shells of oysters and other edible shell-fish, bones of wild ducks, the ash of sea-weed, the remains of fish, etc. The civilization and social condition of the people seems to have resembled that of the Fuegians, who frequent particular stations on the seashore, subsisting entirely on shell-fish and the products



PILE-DWELLINGS

of their hunting and fishing, having no knowledge of agriculture, and no domestic animal except the dog, constructing their huts of branches, and their weapons of stone or bone, while their scanty clothing is made from the skins of the animals they kill. It is agreed that the shell-mounds of Denmark are the sites of the most ancient habitations known in that country. The pile-dwellings of Switzerland, together with their remains, also constitute important starting-points for judging the mode of life of their former dwellers. Underneath and around these pile-dwellings there

occurs in the bed of the lake an accumulation of the refuse of the food of the inhabitants, mingled with the waste of their daily life—their broken and lost tools, and household utensils. These submerged "middens" have been diligently dredged up by anti-quaries, and have yielded materials for a pretty full history of the civilization of the lake-dwellers. At that time, in addition to the stone implements which gradually became more improved, man already made such things as hoes, arrows, harpoons, daggers, and combs of bone, horn, or wood. He was also able to make rough fabrics, to shape earthen vessels, to hollow out tree trunks for canoes, to build dwellings and burial-places, as well as to appreciate a large number of ornaments.

Some Evidences of the Existence of a System of Exchange. The fact that a certain amount of exchange was in existence is proved by the discovery, in the pile-dwellings and caves, of natural objects which must have been brought from distant parts. Thus, in the pile-dwellings of Switzerland, red corals from the Mediterranean, and weapons made of nephrit, have been found, whilst, in a pre-historic burial-place in Pomerania, cowrie shells from the Indian Ocean have been discovered. At that time, articles of commerce consisted chiefly of the more highly valued materials used for the making of stone implements, as, for instance, the flint obsidium, nephrit, and jade, or implements made from them. Various articles of ornamentation, such as shells, corals, earth dyes for painting the body, etc., also entered into exchange. From these discoveries it is inferred that such objects must have been transported over comparatively long distances.

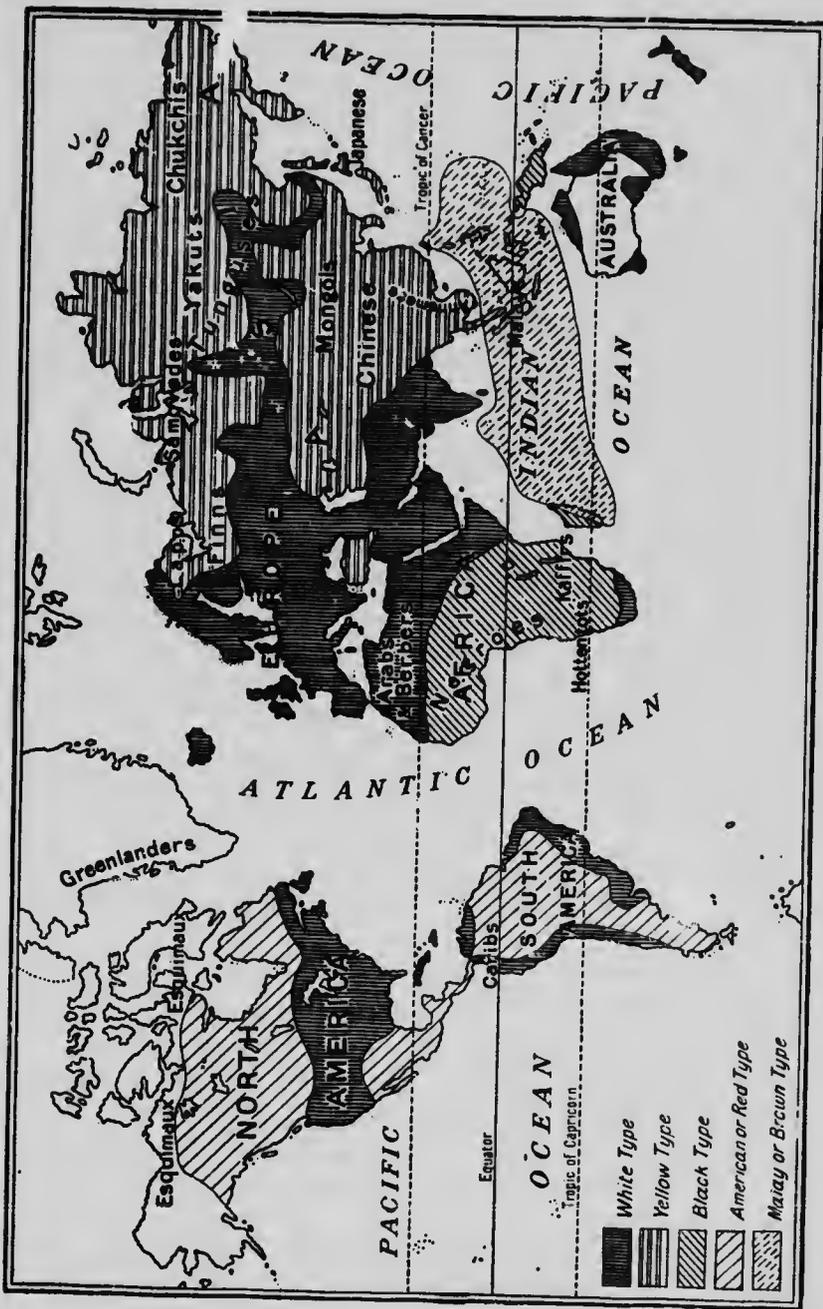
The Bronze Age. An important step forward was made by the use of metal implements marking the transition from the Stone Age to the Metal Age. The earliest section of this epoch was characterized by the general occurrence of brass or bronze, a product which was introduced from the Mediterranean into Southern Europe. From the Black Sea it spread in a westerly direction to Northern Europe, and very soon came into use throughout the then known world, even outside Europe. How the copper and bronze of that time originated is not known to us. In any case, the co-operation of copper and tin as found together in England, for instance, was necessary for its production. It must be noted that in ancient times England enjoyed the name of "the tin island,"

and from this country the Phoenicians, the distributors of bronze, obtained a part of their tin. The researches of pre-historians prove that bronze was of most frequent occurrence in the so-called giant mounds—the graves of that fiendish Laponian tribe which inhabited the whole of Europe before the immigration of the Scandinavian-Germanic tribes, which, by later migrations, were pushed back to their present quarter—the extreme north.

The Iron Age. Once metal became known, a new field of activity was opened up to mankind. Man in isolation was unable to produce this admixture of metals—he required the assistance of others, and with that, the division of labour began which resulted in an ever-increasing variety of effort. In a still greater degree was this the case when, in the Iron Age, man found in iron an immeasurably better substance for the production of his domestic and warlike implements, although it was far more difficult to work. Metals are bound up with the oldest professionally conducted activity, viz., the work of the smith, who was the first to labour in the service of his fellow-men. To the trade in metals must also be attributed the direction of the oldest and most frequented trade routes.

Trade Increased with the Separation of Employments. In addition to metals, salt played an important rôle in the trade of pre-historic and early historic times, as also amber, which was found along the Baltic coasts. Gradually, the number of articles of trade increased, whilst the separation of employments progressed in an increasing measure. The whole requirements of mankind became more complex, and the utilization of metals could no longer be regarded as the characteristic mark of civilization. The cohabitation of man in societies began to assume higher forms, and the place of nomadic tribes was taken by the growth of settled communities and nations, the members of which were separated into callings and classes. Early customs developed into definite laws, legalized organizations, and into state constitutions; and a regulated national life thus made its beginning.

TRANSITION TO HISTORIC TIMES.—This development of the human race marks the transition into **Historic Times**, in regard to which we have been enlightened by ancient manuscripts, so that pre-history becomes history. However, this development did not take place simultaneously among all peoples. On the contrary,



DISTRIBUTION OF THE HUMAN RACE

whereas some races developed at an early date and progressed rapidly, others remained in a backward state for thousands of years in the obscurity of the lowest stages of civilization, and advanced only step by step.

Several thousands of years before the Christian era, great empires were already in existence in the Orient, in regard to which evidence has been furnished in the form of pictures, writings, and monuments of various kinds, which testifies to their highly developed state. On the other hand, our present day Teutonic civilization did not begin until a considerable time after the Christian era. Many savage tribes and peoples still survive in certain parts of the earth, who remain in a state of civilization similar to that which prevailed in the Early Stone Age.

Civilization has Spread from the East to the West. The history of civilization, as well as the history of commerce, has gradually passed from one nation to another during the course of time. In the main, civilization has made its way from the East towards the West, and, starting from a definite centre, it has continually assumed a greater and greater extension in succeeding epochs.

In Asia—the cradle of the human race—and in Egypt, a regulated national life found its beginning. For centuries civilization was restricted to the Orient, until, finally, in the last millennium before the Christian era, Europe entered into the world's history. However, whereas the development of civilization in Asia remained in a state of inelasticity, due mainly to the prevailing despotism which retarded any free mental development, and to the extraordinary luxuriance of Nature, a new and freer development of the human race began with the advent of Greek and Roman civilization. Europe became the centre of the world's history, and, by the aid of Christianity, civilization soon spread over the western half of Europe and found a permanent seat among the Teutonic peoples. In their turn, the latter spread it far beyond the limits of the Old World, especially to North America, and brought it to a state of remarkable development through unprecedented progress in the sphere of industrial technique.

THE FOUR GREAT PERIODS OF COMMERCIAL HISTORY.—With this development coincides the division of commercial history into its principal epochs. In view of the close connection of commerce with political events, and in order to facilitate the

treatment of the subject, the history of commerce is best divided so as to conform as much as possible to the epochs of general history. As a result, the following periods may be observed—

1. **The Period of Antiquity**, dating from about 4000 B.C. to A.D. 476, and including the earliest periods of history to the downfall of the Western Roman Empire.

2. **The Medieval Period**, dating from A.D. 476 to A.D. 1453, and following upon the preceding period up to the capture of Constantinople by the Turks.

3. **The Period of Geographical Discovery**, dating from 1453 to 1815, and terminating with the establishment of the European state system at the Congress of Vienna.

4. **Modern Times**, dating from 1815 to 1914, and including the period from the termination of the Napoleonic Wars to the outbreak of the Great European War.

In each of these four main epochs there are further subdivisions, according to the countries or peoples who simultaneously have been the leaders of the world's commerce, or, in modern times, according to the prevailing views concerning economic policy.

TEST PAPER I

1. What evidence have we that man existed prior to historic times?
2. Explain the method of research adopted by the pre-historian.
3. In what geological period are the first traces of man to be found?
4. From the point of view of the implements used by early man, into what stages may pre-historic civilization be divided?
5. Distinguish between the Paleolithic and the Neolithic Age.
6. Mention any articles, other than metals, which entered into the trade of prehistoric times.
7. Into what main periods may the study of commercial history be divided? Give reasons for your division.
8. Write down ten of the most important dates mentioned in the accompanying Chart of the History of Commerce, and account for their significance.
9. Compare the methods of investigation of the historian with those of the pre-historian.
10. Explain the utility of distinguishing between the several stages in the history of commerce and the dangers to which such a method is liable.

1875

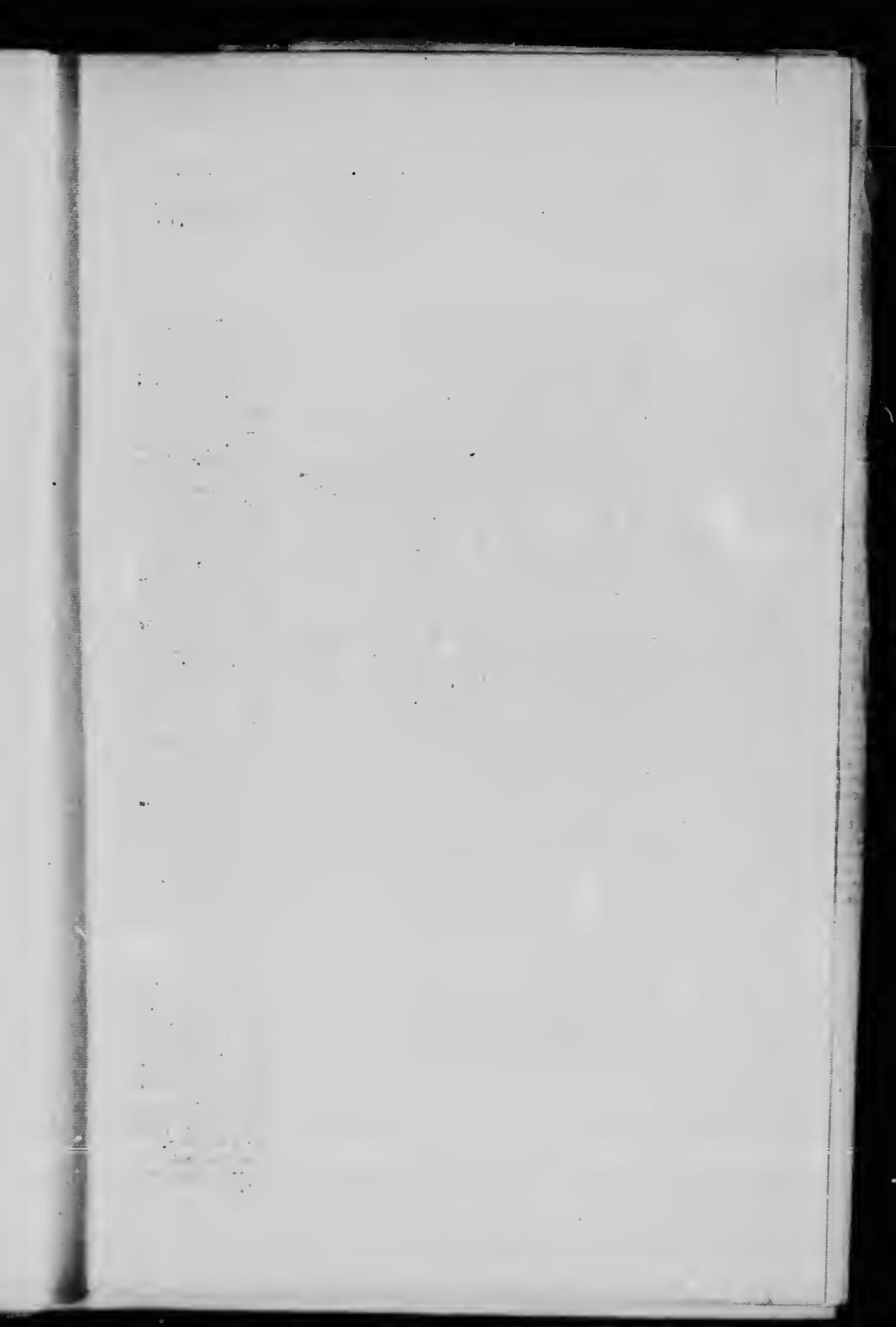


CHART OF THE HISTORY

Epoch.	General Survey.	Area of Greatest Commercial Importance.	Dates of Chief Inventions, etc.
<p>PRE-HISTORIC TIMES (Before 6000 B.C.).</p>	<p>The most primitive or paleolithic man lived during the Old Stone Age. At first he seems to have subsisted himself by hunting, and later began to dwell in caves. Gradually the "Cave Man" improved his first weapons and became more skilled in the art of drawing; so we pass to neolithic man—man of the New Stone Age, in which his tools are polished and more skillfully wrought. To learn to cultivate the soil, various species of animals are domesticated, and working in clay and wood is commenced. Then follows the Bronze Age, when flint is abandoned for the newly discovered metal, while gold (only used for ornaments) begins to exercise its fascination over him. Last comes the Iron Age, and man is launched on the voyage of discovery and invention which eventually is to lead him to the supremacy over nature such as we enjoy; he awakes to a fuller self-consciousness, the rudiments of law are to be found in tribal customs, the nation instead of the clan, becomes the unit society grows more organized and more complex, records of man's progress become both possible and worth making, and the Age of History is at last dawned—an age which must have been preceded by a considerable civilization.</p>	<p>The lands bordering the Mediterranean Sea.</p>	<p>SPEECH.</p> <p>FIRE. This discovery enabled man to leave the tropical regions to which he had probably hitherto been confined.</p> <p>BOW and ARROW made it possible to kill swift-moving animals and thus increased human severity as well as food and clothing.</p> <p>POTTERY.</p> <p>DOMESTICATION OF ANIMALS.</p> <p>IRON SMELTING was the first art not concerned primarily with the improvement of the food supply.</p> <p>WRITING.</p>

Epoch.	General Survey.	Area of Greatest Commercial Importance.	Dates of Chief Inventions, etc.
<p>THE PERIOD OF ANTIQUITY (6000 B.C.—A.D. 476).</p>	<p>The curtain of history is first raised at the time of the early civilizations of Egypt, Mesopotamia, and other Oriental nations. The great feature of most of them was their unprogressive character, the despotic nature of their governments, the institution of Caste in some of them, and the influence of superstition in preventing the adoption of new ideas in thought and new methods in action. With the rise of the Greeks, with their marvellous endowment of intellect and taste, there ensued the inevitable attack of the East upon the West—Persia standing for the might of numbers and material resources, Greece for the triumph of thought and freedom. Meanwhile Rome arose in the West, and began to imprint the stamp of law and order on all the families of men. Irrevocably and securely her empire grew until at the commencement of the Christian era it was co-extensive with the civilized world, but in her power were the seeds of a decay, which Christianity could not prevent but only retard; her supremacy was soon to be hankle to the best development of the individual, and her degenerate might break under the onslaught of the young and vigorous races from the North.</p>	<p>I. The Ancient Orient: (a) China. (b) India. (c) Egypt. (d) Mesopotamia. (e) Phoenicia. (f) Carthage.</p> <p>II. Greece.</p> <p>III. The Roman Empire.</p>	<p>B.C.</p> <p>3000. Foundation of the Old Egyptian Empire of King Menes. The Pyramids.</p> <p>2600. The Middle Empire established in Egypt.</p> <p>2000. Babylon on the Euphrates, the capital of a great Empire.</p> <p>1000. Establishment of the New Empire in Egypt, with its Capital at Thebes.</p> <p>1500. Prosperity of Phoenician cities, especially Sidon.</p> <p>1100. The Dorian Migration.</p> <p>800. The prosperity of Tyre under King Hiram, the friend of Solomon.</p> <p>510. Foundation of Carthage by Tyre and the decline of Phoenician cities.</p> <p>610. Canal constructed from the Nile to the Red Sea under Pharaoh Sesostris. The circumnavigation of Africa by Phoenician sailors.</p> <p>507. Maccellia founded.</p> <p>490. Greeks defeat the Persians at Salamis.</p> <p>444. Height of Athenian prosperity.</p> <p>300. Alexandria founded.</p> <p>A.D.</p> <p>375. Great migration of Germanic tribes.</p> <p>476. Fall of the Western Roman Empire.</p>

Epoch.	General Survey.
<p>THE MEDIEVAL PERIOD (A.D. 476—1450).</p>	<p>In spite of disorders and calamities of all kinds, it must be conceded that under the aegis of the Church, the Middle Ages prepared the way for the greatness of modern civilization. During this period the imperial unity of the world was destroyed, and the spirit of nationality began to take its rise. Constitutional monarchy and representative government were ideas quite unknown to the people of antiquity—were foreign. Various forms of societies were inaugurated, such as the towns and guilds. Feudalism, introduced by the Church and regulated by the Code of chivalry, created a new sentiment in the world—individual honour. In the social order the Middle Ages created the conditions for the subsequent abolition of serfdom, and led to the increased influence of woman in family and social life.</p>

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PRINCIPLES OF COMMERCIAL HISTORY

SECTION I—THE PERIOD OF ANTIQUITY

4000 B.C. — A.D. 476

CHAPTER I

GENERAL SURVEY

THE RACES OF THE ANCIENT WORLD.—There are two races which originally presented themselves as the leaders of civilization in ancient times, viz.—

(1) The Mongolian race, represented by the Chinese and their neighbours in Farther India and Japan; and

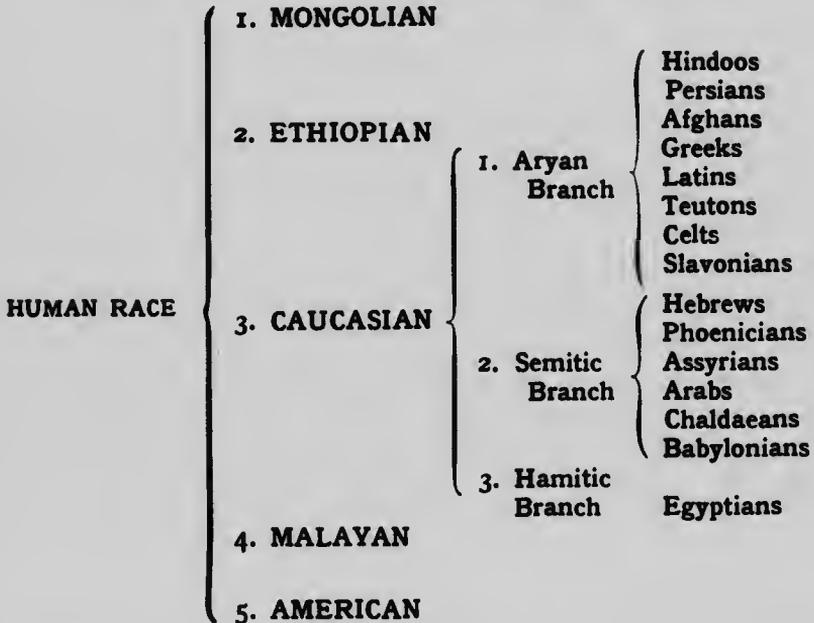
(2) The Caucasian race, represented by the Hindoos in the south, and by a large number of peoples such as the Semitic, Hamitic, and Indo-Aryan in the west. A third branch of the inhabitants of the Old World (*i.e.*, the Negroes) had attained a certain state of civilization only amongst the Ethiopic peoples residing between the White and Blue Nile. However, this latter civilization was restricted to Africa, and has remained without any permanent influence on the development of the human race.

The Chinese, the most civilized people of the Mongolian race, after having attained a high state of civilization, remained in the same condition throughout the succeeding centuries. Likewise the Hindoo people (having separated themselves from the outer world), though entirely different from the Chinese, yet forming a geographical unit by themselves, have also retained their old civilization without any noteworthy development.

The Caucasian branch, on the other hand, has risen from stage to stage to a very high degree of development. It has assumed the domination of the world, and has achieved for the whole of

humanity the hope of a better means of existence. Everything we possess in the nature of sound social institutions, the freer

THE DIVISIONS OF THE HUMAN RACE



regulation of the political and economic life, and the achievements in the domains of science, technology, and art, are all due to the Caucasian race, and especially to its Indo-Aryan and Semitic branches.

CHIEF SEATS OF ANCIENT CIVILIZATION.—The principal theatre of ancient history is at first found in Asia and Africa, and—apart from China and India—in the connected land-masses of Arabia, Eastern Africa, Egypt, Syria, Asia Minor, Iran, Armenia, and Mesopotamia, together with the adjoining seas. In this area, starting from the fertile valleys of the Nile and the Euphrates, the most ancient history of the world has been enacted, and, in kaleidoscopic manner, the most varied peoples have had their rise and fall. This continued until the fifth century B.C., when Greece established its superior civilization and gradually assumed the leading position, when the Empire of Carthage rose to a high state of development, and when, in the first century B.C., Rome assumed

the domination of the world. At this time, Greece, Northern Africa, Italy, and the countries bordering the Western Mediterranean likewise formed a part of the geographical arena of the Ancient World which, under the Romans, extended still further into the interior of Germany. Within this theatre, with very few exceptions, the entire commerce of the world was carried on. However, with regard to the commerce of this period, we possess but few sources of knowledge, so that, from the poor and disconnected evidence which exists, only the general outlines of its condition can be discerned.

NATURE AND EXTENT OF ANCIENT COMMERCE.—In comparison with later epochs, the commerce of antiquity was of small extent only, in consequence of the economic and social conditions of those times. The basis of economic life was still restricted to the family, which produced nearly everything it required, and which, extended and perfected later on by the keeping of slave, especially in the Roman *latifundium* households, proved themselves efficient forms of economy for a long time. Nearly everywhere the principal and most highly respected occupation was the cultivation of the soil, whilst commerce and manufactures played quite a minor *rôle*. These latter branches of production only assumed greater importance in those countries where geographical conditions compelled the inhabitants to carry on such activities as fishing, navigation, and maritime trade, as in the case of Phoenicia, Carthage, and Greece. The similarity of the products within the confines of the same country was a great obstacle to the development of exchange, and, in consequence, trade everywhere had rather the nature of an exchange between one tribe and another, than that of an international character. Purchasers were only to be found amongst the upper classes, whilst the great masses of the population were entirely excluded from the higher enjoyments of life. The lower classes were either in a state of slavery or else considered as a section of the population having inferior rights only, to which the barest necessities alone could be conceded. There was no middle-class such as we know to-day, and the division of the population into castes was much more rigid, whilst the social cleavage between high and low, rich and poor, was much more marked than at the present time. A freer development of social conditions was only observable amongst the Phoenicians, the

Carthaginians, and the Greeks, amongst which nations greater masses of the population enjoyed better conditions of life.

Trade was chiefly in Luxuries and Articles of Small Bulk. In the commerce of the Ancient World the articles of trade were comparatively few in number, and objects of general consumption were dealt in but rarely. Likewise the trade in raw materials for the more highly-developed manufactures was quite insignificant. It was concerned chiefly with goods that could easily be transported, and, above all, with articles of luxury.

Rare metals and precious stones, which could be found in particular countries only, were the principal commodities of commerce. Among these may be mentioned British tin, Corinthian ore, Spanish metals, the amber of the Baltic coasts, diamonds and opals from India, as well as ivory, tortoise-shell, glass, and fancy metal goods. Further, fine fabrics, Chinese silk, Indian cotton, linen, and wool, dyed cloth or wearing apparel, furs, dye-stuffs, tropical produce, and spices (such as cinnamon, pepper, perfumery, and incense), favourite oils, ore, resin, myrrh, balsam and ointments of all descriptions, edible delicacies, papyrus from Egypt, etc., were also traded in. In addition, throughout the whole of ancient times, arms and slaves were highly desirable articles of trade. Apart from such articles of commerce, the majority of which pandered to luxury, in exceptional cases only did commerce devote itself to the common articles of daily consumption. Nevertheless, the period of antiquity furnishes a few important examples of provisioning on a large scale, as in the case of Athens and of Rome, which had gradually grown into such populous centres that they required large supplies of food-stuffs. The provisioning of Rome with grain, for instance, by large importations from Italy and Northern Africa—became one of the most important trading operations during the period of the Empire.

The Eastern Half of the Old World was more suited to Caravan Trade. The geographical structure of the Old World makes it appear natural that, in the eastern half thereof, commerce should chiefly be conducted by land, especially in Central Asia, with its masses of highlands and sandy deserts; whereas in the western portion, and in the countries bordering the Mediterranean, it was chiefly coastal or maritime commerce. The continental trade of the eastern area, which had to find its way across inhospitable

steppes and over rough tracks of mountains peopled by warlike tribes, had to fight against great obstacles, which could only be overcome by the combination of merchants for the purpose of forming caravans. This caravan trade was carried out in relays or stages extending from one trade centre to another, and, as a means of transport, camels alone were available. It is in the nature of this trade that small quantities and light goods only could be carried, so that its extent was very limited. The routes followed in this trade have remained unchanged for thousands of years. The two most important trade routes led from China in a westerly direction and from India along the Indus and the Ganges in a north-westerly direction across the Cabul Pass into the wide plains of Bokhara. Here, in the great markets of Bactria (Balkh), the Mongolian caravans from China met the caravans from India. Thence the goods were conveyed farther west through the plains of the Aral and the Caspian Seas, across the Caucasus Mountains *via* Tiflis, to the Black Sea and to Asia Minor, where the treasures of the East met those of the West.

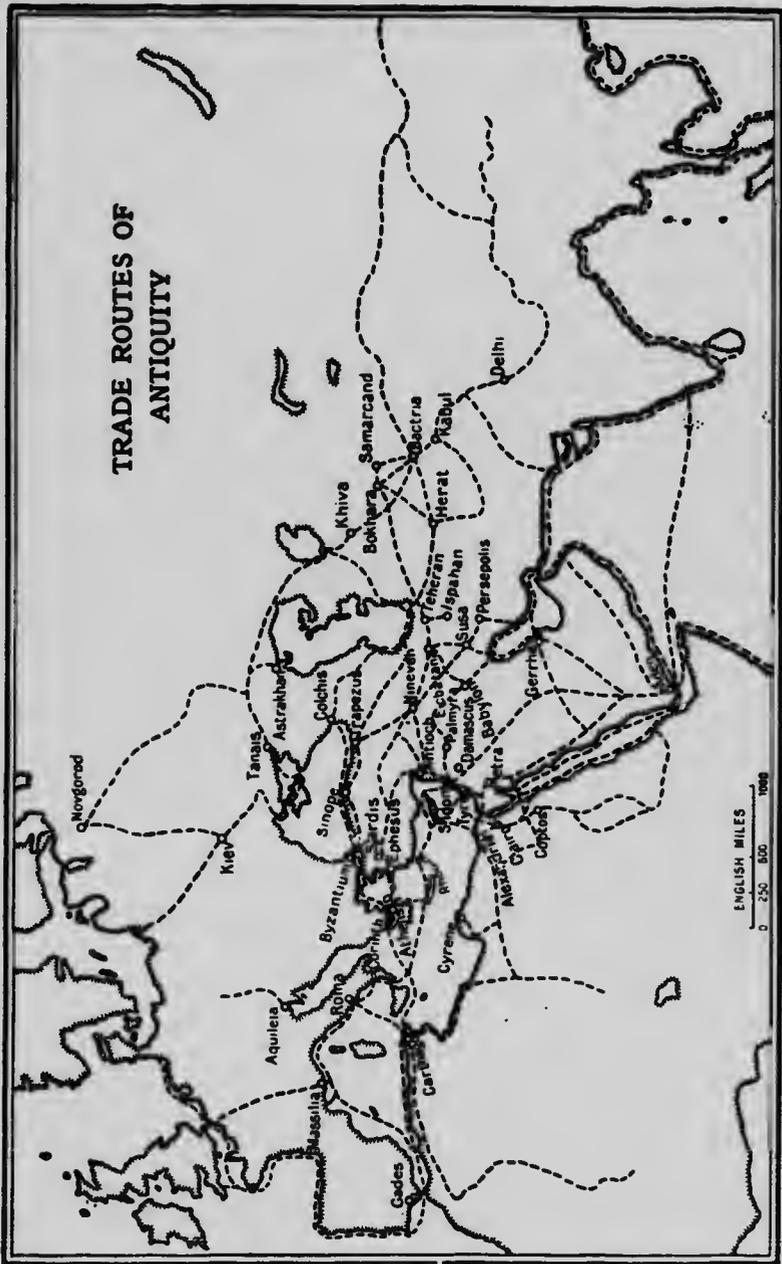
Along another shorter route to the West were brought the products of India and of Arabia *via* Babylon, to which centre they were conveyed by land, and thence to Syria and Asia Minor. In addition to these land routes, there was also a sea route which followed the coasts of Persia, Arabia, and Egypt to India. There is no doubt that much merchandise reached Babylon and the Near East, especially through the Persian Gulf, although no historical data can be adduced to substantiate this fact.

In the Western Half of the Old World Transport by Sea was more Important than that by Land. In the western half of the Old World—apart from the interior of Northern Africa, where trade was conducted by land as in Asia—a much higher state of development existed, owing to the more favourable means of transport afforded by the sea. However, it took a long time before the coastal and island dwellers of this area ventured far on to the open sea, and, even at a later period, coastal trade predominated. Moreover, the ships which navigated the open sea were of a very imperfect kind throughout the period of antiquity, and suitable only for the transport of small quantities of cargo. Nevertheless, sea-borne trade has proved much superior to the painfully slow method of conducting trade by land, as found in Central Asia. For the

progress of Western civilization, the Mediterranean has been of the highest importance.

The Principal Commercial Highways of Antiquity. The routes followed by commerce in this western area have been changed several times in the course of history. The first great highway of the world's trade was that along the Syrian coast in a westerly direction to Carthage, thence to New Carthage, and through the Pillars of Hercules to Tarschish (Tartessus), which was discovered and monopolized for a long time by the Phoenicians. The Carthaginians and the Romans carried this route still farther to the British Islands and the Baltic coasts. In a sense, this route was the continuation of the great overland route from the interior of Asia, and together they remained the dominating highway of commerce up to the discovery of America. During the commercial predominance of the Phoenicians, this was the only great commercial highway, and from it branches radiated to the right or to the left. No important change took place until the Greeks began to dispute with the Phoenicians for the trade of those times, and succeeded in eliminating the Phoenician merchant as a middleman in the trade between East and West, by intercepting, on the Black Sea and along the Egyptian coast, the large caravans which brought the treasures of China, India, and the Far East, before they reached the Phoenicians. With this object, they established, on the Black Sea coast, a number of colonies, such as Tanais, Odessa, Trapezus, Sinope, and Colchis. Likewise, they founded factories at the mouth of the Nile, near the place where Alexandria sprang up at a later date, and in Northern Africa they founded the town of Cyrene. In this way, the Greeks managed to divert the traffic from the Orient to these places, thus injuring the Phoenician trade which had formerly been carried on with the West. As a consequence, a new independent world's commercial highway was created which led from the mouth of the Don towards the south, and from the mouth of the Nile in a northerly direction, crossing the old Mediterranean trade route at the point where the Colony of Byzantium arose. A further development was made when three other cross routes were added to the one utilized by the Greeks to cater for the increasing trade of the Roman Empire. The first of these new cross routes led through the Adriatic Sea, the second through the Sardinian waters in a northerly direction

TRADE ROUTES OF ANTIQUITY



across the Alps to the valley of the Rhine, and southwards as far as the African coast and into the interior of Africa. The third of these new routes took its way through the Gallic Province, or, perhaps, already by way of the sea along the Atlantic coast to Great Britain.

With the institution of these new routes, the old highway, running from East to West, gradually lost its former importance, and in its place was established a system of world trade routes. The network of lines forming this system became denser and denser in the course of time, especially in the area of the Mediterranean countries, which remained the principal seat of distribution throughout the period of antiquity, whilst all other routes outside this area continued to be of small significance. However, maritime trade on a large scale, such as became known at a later period, did not exist at this time, for it must be remembered that the Mediterranean, with its many coasts and islands, can only be regarded as an inland sea in comparison with the great oceans.

Distant Trade was Effected through Intermediaries. A peculiar feature of ancient commerce is to be found in the fact that it gave rise to the trade of intermediaries as soon as it began to extend over long distances.

Direct trading relations with far distant countries, the conduct of a large trade on one's own account, and the direct importation from distant areas of production which characterized the trade of later period, were unknown in ancient times. On land, the caravans of the various trading peoples passed through a series of different countries or districts with which they carried on a regular trade. Generally speaking, however, they did not go beyond a certain market, where the goods were handed over for further transportation to the caravans of other districts. Likewise in the maritime trade, foreign intermediaries were utilized. It is quite possible that the Phoenicians from time to time undertook expeditions to India, but, as a rule, the importation of Indian merchandise was effected through the mediation of Arabian merchants. Such a method of interchange was necessary so long as there was no means of transport in existence suitable for the safe conveyance of large quantities of merchandise over long distances. However, already in the period of antiquity there were trading peoples animated with the desire to conduct trade on their own account. The Greeks especially

achieved success in this direction, since, unlike the Phoenicians, they did not confine themselves to the mediation of the exchange of goods between the Asiatic, African, and European coasts, but penetrated even as far as the large markets of Central Asia, and, later on, to the coasts of India. In ancient commerce, however, such direct trade relations were exceptional, and were by no means the general rule.

The One-sided Nature of Ancient Commerce. Moreover, the trade of this period, as probably with all other forms of early trade, was characterized by great one-sidedness. It was marked by a predominantly *unfavourable balance*; that is, the importing merchant received goods for which he failed to give a corresponding value in merchandise. In this respect, the advantage of superior power or of higher civilization was utilized to the fullest extent in dealing with weaker races. Thus, in the long-established trade of India, the balance of trade has always been *unfavourable*, and likewise in the trade of Ancient Greece and Rome, the imports considerably exceeded the exports over long periods of time. The explanation of this peculiarity is to be found in the general conditions of that period.

Metallic Money was known but not generally Used. Although the civilized nations of ancient times were already acquainted with the use of metallic money, yet, in the trade of the time, goods were frequently exchanged directly for other goods. Where payment was made in money, it was probably more customary to weigh the money than to count it, and before the introduction of coins, since bars or ingots of metal were used, this method was absolutely necessary. A special business for dealings in money, such as we are acquainted with to-day, did not exist amongst ancient peoples, but trade consisted almost exclusively of the exchange of ordinary material commodities.

Money-changers Arose in the large Centres of Trade. In the large commercial centres, however, there were money-changers, and a certain class of merchants who devoted themselves to the mediation of the financial transactions of the immediate locality, as well as to isolated credit transactions. These instances must be regarded, at most, as the beginnings of a separate monetary trade such as developed at a later period. The relative value of gold and silver in Greece, as well as in Rome, was 1 : 10, and in

the course of time, owing to the rapidly increasing production of silver, as well as to the heavy exportation of gold to the Orient, it changed in the Roman Empire to 1 : 15.

The Ideal Aimed at in Ancient Commerce was the Monopoly of a Route or Spot. The application of a general and well-defined commercial policy was unknown to the peoples of antiquity, though influences of the prevailing forms of constitution or of government on the shaping of commerce were already discernible. It is only among the Phoenicians, the Carthaginians, and the Greeks that we find traces of a conscious aim to monopolize for the merchants of the home country the various trading routes and *entrepôt* trade, and to secure them by the establishment of factories, settlements, and colonies; although we cannot speak of a colonial policy in the modern sense of the term. The Phoenicians and their victorious competitors—the Greeks—were the chief to make use of such means in the struggle for the foremost position in the world's trade. On the other hand, the Roman Empire, in contrast with the policy of the powerful Phoenician merchants, did nothing to exploit its political power in favour of the establishment or the safeguarding of its commercial power. In Rome, at the time of its most flourishing period, the liberal policy of "live and let live" had already taken root, and, in consequence, under the Roman dominations, every nation had the right to share in the world's commerce, so that a free state area was created of such an extent as has never since been known. The strenuous commercial spirit of the Phoenicians and the Carthaginians, which aimed at subjecting peoples to its economic domination, not by military but by peaceful conquest, was always alien to the Roman.

From this general survey of the conditions of commerce which prevailed in the period of antiquity, we shall now pass on to the consideration of the commercial history of the chief trading peoples of that time. There are three clearly-defined groups, viz.—

- (a) The peoples of the Ancient Orient who, with the exception of the Chinese and Hindoos, passed in rapid sequence into leading importance within the sphere of the Near East;
- (b) The Greeks who, in contrast with the above-mentioned group, manifested an independent western civilization; and
- (c) Their successors—the Romans.

TEST PAPER II

1. Classify the main branches of the human race so as to show the chief peoples of importance in ancient times.
2. Locate the chief areas in which ancient history was enacted, and state why they are now of such relatively small commercial importance.
3. To what extent were the leading commercial nations of antiquity dependent upon geographical conditions for their success?
4. Enumerate the principal obstacles to the development of trade during the period of antiquity.
5. Give a short account of the commodities which entered into the commerce of the ancient world.
6. In what respect does the geographical structure of the Old World determine the nature of its trade?
7. Indicate the most important highways of commerce in the period of antiquity, and account for their direction.
8. Mention any features peculiar to the commerce of ancient times.
9. Under what conditions, and at what periods, have the caravan and the fair been important modes of international commerce?

CHAPTER II

THE ANCIENT ORIENT

CHINA.—Geographical Isolation gave rise to a Peculiar Civilization. The history of this immense Empire can be traced back to the third millennium before the Christian era—an empire which the Chinese founded in the earliest times in the fertile plains of the Hwang Ho and the Yang-tse-kiang. Its civilization, which was based chiefly upon agriculture, has always been characterized by great seclusion and unchanging customs, due in part to the fact that the country was separated from the peoples of western civilization by natural barriers in the shape of the wide plateaux of



Photo by

Frith

GREAT WALL OF CHINA

Central Asia, and in part to the fact that this vast empire, with its great variety of natural conditions, could more easily dispense with foreign products and trading relations than any other country. This long seclusion of the people led to a fossilization of its economic and social life, rendering impossible any free development. They adhered firmly to their old traditions and regarded with contempt

the achievements of other nations, instead of benefiting by them. For this state of affairs the ruling classes were mainly responsible, since they created a system of state tutelage which was ultra conservative in its nature.

Trade Developed at an Early Period but Remained Unprogressive. Thus, trade and manufactures, though rising to a comparatively



ANCIENT CHINESE SILK-SPINNING MACHINE

(Victoria and Albert Museum)

high state of development at an early period, are, to a large extent, in the same conditions as they were many centuries ago, and likewise other branches of the nation's economy, such as agriculture, river and canal construction, transport, currency, and weights and measures have scarcely made any progress worth mentioning since ancient times. The trades in which the Chinese excelled were the manufactures of china, paper, fancy metal goods, ivory and woodwork, woollen and cotton fabrics, as well as silk. It was chiefly by the exportation of silk, which the caravans brought to the West, that the Chinese first became known to the merchants of the Near East and to Europe. It was owing to this silk trade of the Chinese that the ancient overland route from China to the Black Sea became known as the *Silk Route*. In addition to silk, it is probable that furs, skins, and gold from the mines of the Altai, were carried

to the West. Beyond this, the Chinese civilization has hardly ever come into fruitful connection with that of the West.

INDIA.—The Great Fertility of the Country has always been a Source of Attraction. This densely populated Empire, characterized as it is by a rich tropical vegetation, and such valuable resources as precious stones, gold, ivory, spices, sugar, indigo, etc., has at all times been one of the principal objectives of the trader, and the attempt on the part of foreign peoples to dominate the trade route to India, or even the country itself, occurs again and again in commercial history. In the second millennium B.C. a portion of the Indo-Aryan race had invaded the country by way of the Indus valley, and had brought it under their control. Thus white Indians, or, as they called themselves, Aryans (*i.e.*, the first, the most prominent), gradually subjugated the native population, who were dark-skinned and belonged to the Malayan-Negroitic race, reducing them to slavery or forcing them back into the mountains.

Influence of Physical Environment on Indian Civilization. After the conquest was completed (*i.e.*, about 1300 B.C.), these people created a world for themselves on the Indian Peninsula, which is surrounded on three sides by the sea, and is bordered on the north by the mighty Himalaya mountains. A peculiar civilization of its own was developed, with its fantastic forms of religion, its achievements in philosophy, its poetry and appreciation of fine art, its highly-developed caste system, and rigid form of government, in which the ruler is all-powerful and lays down the law not only in regard to revenue duties but also in respect of the prices of food-stuffs and other commodities.

As in the case of the Chinese, so with these people, fossilization set in, their military power decreased, and at a later period they came permanently under foreign domination. In contrast with the Chinese, who are sober-minded and practical, the Hindoos became indifferent to the material aims of life, and, instead, manifested strong proclivities towards the supernatural and the extraordinary, thus preventing any economic progress. Commerce has, therefore, never assumed such a high state of development as with the other branches of the Indo-Aryan race. On the contrary, the Hindoos appear to have carried on a more active home trade at an early period than in later times, when this business was, to a large extent, relegated to foreigners.

Early Indian Commerce. This probably explains the fact that, in the old Indian law books of Manu, there are to be found regulations in reference to trade, navigation, and the rights of mercantile corporations to enter into financial contracts for their members. On land, the caravans carried the goods across the high frontier passes of the country, partly in a northerly direction to Bactria, a great trading centre of the Ancient World, whence they were conveyed by various routes to eastern or western Asia, and partly in a westerly direction across the Kabul Pass to Persia. The articles obtained in exchange were carried back by the same routes. On the sea, the products of India, as far as is known to us, were conveyed in a westerly direction to the Persian Gulf and Babylon, or to the Red Sea. With the rise of the Empire, its trade extended to the Near East, to the north coast of Africa, and to the northern borders of the Mediterranean. Subsequently, it assumed a certain regularity, and, in consequence, led to the establishment of numerous commercial towns on the west coast of India. These, connected with the interior by trade routes, brought together the natural resources and manufactured products from the various parts of the country. This maritime trade was principally in the hands of the Arabs; the chief articles in which they dealt being Indian silk, precious stones, ivory ornaments, cotton goods, dye-woods of various kinds, and tin.

EGYPT.—The Most Ancient Seat of Civilization. This narrow strip of land, extending fan-like towards the north, and situated on both banks of the Nile, in the midst of inhospitable deserts and plateaux, is probably the oldest seat of civilization known to us. Originally it consisted of one pre-historic Empire, but, subsequently, of two Empires—Upper Egypt, with its capital, Thebes, and Lower Egypt, with Memphis as the capital. Later on, about the year 3300 B.C., the whole country was re-united into one state by the first Pharaoh known to history, viz., Menes. Under the successors of this king, Egypt attained a most flourishing state of civilization, proofs of which have been handed down to us in the shape of gigantic monuments, such as the Pyramids and Mausoleums, and others bearing inscriptions in hieroglyphics. The largest of these pyramids, the building of which involved an immense amount of labour and material, dates back to the years 2900 to 2700 B.C. The great fertility of the country was due to

the annual inundations of the Nile, with its fertilizing deposits. This peculiarity of the river, which led to the co-operation of the inhabitants for the purpose of utilizing the water of the Nile by the construction of dykes, canals, collecting basins, etc., explains the whole economic and social history of the country. In view of the excellent harvests which can be obtained with little labour, it was only natural that agriculture formed the basis and the strength of all economic conditions. With this prosperous system of agriculture as a foundation, the intellectual Egyptian people, who were a Semitic Hamitic branch of the Caucasian race and had emigrated from Asia, soon succeeded in building up a high civilization which was furthered still more by the close community and cohabitation entailed by the restricted area of the country and the common cultivation of the soil. Crafts rose to a high state of perfection, and yielded products of such excellence, that the Egyptians, in this domain, have become the teachers of the whole world. The technique of stone construction especially, as can still be perceived from the remains of the colossal erections of that time, assumed a high state of architectural development. Metal and wood work, pottery, leather manufactures, and weaving, also attained a high degree of perfection, and to the industry of the Ancient Egyptians we owe glass and paper. Art and science, too, were in a flourishing state. On the other hand, the autocratic despotism of the rulers was a great obstacle to the economic progress of the people. Even more so than in India, the whole economic life was ordered by state tutelage, and, as in that country, insuperable social barriers existed between the various castes. The great mass of the people consisted of serfs liable to pay tithes, semi-free tenants, and farmers; more free were the artisans and merchants, but, above all these, stood royalty, with its feudal nobility and a powerful priest caste, as the representatives of unrestricted domination, which was in a large measure enforced and maintained by the employment of foreign mercenaries.

Chief Factors Determining Egyptian Commerce. In spite of these obstacles to a free development of the resources of the country, trade and transport progressed in a manner necessitated by the generally high state of civilization. The internal commerce was favoured by the Nile and its canals, which intersected the whole country and made the conditions of intercourse very favourable;



THE PYRAMIDS

as well as by the great Egyptian national festivals, which assembled together large numbers of people from time to time. The foreign commerce was favoured chiefly by the great wealth and luxury of the ruling classes, and by the contrast between the natural fertility of the Nile valley and the conditions existing amongst neighbouring hordes of nomads, living in the Libyan and Arabian deserts, as well as by the dearth of timber and metallic deposits in Egypt. The nomadic tribes of the desert required the produce of the Egyptian soil, and, on the other hand, Egypt was in need of the horses, wool, ivory, gold dust, spices, slaves, etc., of Arabia and of Libya. The timber of the coastal districts of Syria, the copper and ore of the valleys of Lebanon were given in exchange for Egyptian linen and cotton fabrics, as well as for all sorts of vessels, tools, utensils, and ornaments.

Maritime Trade was very Restricted and largely in the hands of Foreigners. The lack of an extended coast-line, and of timber for the building of ships, and the endeavours of the Egyptians to remain in seclusion from other peoples, were for a long time obstacles to maritime intercourse. For these reasons, the Egyptians failed to become an important seafaring nation, and the maritime trade of Egypt was conducted principally by Phoenician and Greek merchants. The sea voyages undertaken by the Egyptians at an early period to the legendary country of Punt (Southern Arabia or Eastern Africa) had scarcely any commercial significance. A brisk trade with foreign countries did not come into existence until 1800 B.C., when the Hyksos—a Semitic pastoral people—had conquered Lower Egypt, and (after these had been again expelled in 1500 B.C.) the Egyptian kings of the so-called New Empire themselves carried on a policy of conquest, which brought them into closer contact with the peoples of the Nearer East. However, this trade with outside countries again fell into decay owing to the strong conservative tendencies of the Egyptian priests, so that the country fell under one foreign yoke after another (the Libyan, Ethiopian, and the Assyrian) until at last it was entirely subjugated by the Persians and the Greeks.

The Policy of the Later Egyptian kings. A final attempt to maintain the independence of the country was made by the twenty-sixth dynasty of the Egyptian kings, which commenced in the year 650 B.C., with the Pharaoh Psammetichus. He opened up the

country entirely to foreigners, and favoured trade and navigation. His successor, Necho, (about 610–594 B.C.) continued this policy, and even induced some Phoenician mariners to circumnavigate Africa, starting from the Red Sea; he also continued the building of the canal which had been begun in the thirteenth century B.C. under Seti I and Rameses II, and which was to connect the Nile with the Arabian Gulf. This canal, which was completed later by the Persian King Darius I and the Ptolemies, became silted-up, but right up to modern times the project was returned to again and again (Napoleon I and De Lesseps). This last period of Egyptian independence was brought to an end in the year 525 by the victory of the Persian king Cambyses over Psammethichus III, who converted Egypt into a Persian province. The greatest progress of Egypt was made later on, under the Greeks, into whose hands the whole commerce and domination of the country had fallen. In the year 332, these latter people founded Alexandria, in the Nile delta, and this was raised to the position of capital by the Ptolemies. For many centuries it remained an excellent commercial and industrial centre, as well as the seat of a high state of civilization.

MESOPOTAMIA.—Rise of Commerce in the Mesopotamian Valley. The second oldest sphere of civilization of the Ancient World was occupied by the Semitic group of peoples of Caucasian stock, consisting of the Babylonians and Assyrians. About 3000 B.C. they occupied the position in the fertile plains between the twin rivers Euphrates and Tigris, after a people of unknown origin—the Sumerians—had already achieved a fairly high state of civilization in the same area. Babylonia proper was situated between these two rivers, with its capital, Babylon, south of the present-day Bagdad; whilst Assyria, the inhabitants of which came from Babylonia, was situated on the other side of the Tigris, in the east of Mesopotamia. The capital of Assyria was Nineveh, situated on the Tigris, in the vicinity of the modern town of Mosul. As in Egypt, the annual rise of the rivers formed the principal basis of the economic civilization, and, even more than in Egypt, a far-reaching system of irrigation, for the regulation of the inundations of the two rivers, was indispensable. Agriculture, therefore, was the chief occupation of the people, and the social conditions and the public administration of the country bore a great resemblance to those of Egypt. In both countries the land was either parched or

turned into a morass as soon as the central organization for the maintenance of the water installations became inoperative.

Its Geographical Position Contrasted with the Nile Valley. In contrast with Egypt, however, the valley was not separated from the outer world to the same extent, and its position in regard to the great trade routes was much more favourable, whilst the neighbouring mountainous countries, which furnished metals of all kinds, were much less desolate and poor. Owing to these facts, the Babylonian-Assyrian civilization has exerted a much greater influence upon the outside world than the Egyptian, and at times it dominated the whole of Near Asia.

Industrial Activities of Mesopotamia. Apart from agriculture, manufactures were highly developed, especially ceramics, textiles, and the cutting of precious stones. These facts are borne out by examination of the ruins of Babylon and Nineveh, and by the discovery of the remains of earthenware vessels, glassware, cut stones, ornaments of bronze, gold, and ivory, valuable carvings and sculptures, magnificent fabrics, embroideries and wearing apparel, about which information is handed on to us by the Hebrews and the Greeks. In view of the high civilization of the country, commerce assumed considerable proportions, despite the obstacles to intercourse presented by the surrounding steppes, and the predatory character of their inhabitants. Land trade with the neighbouring countries was the chief form of intercourse, but large caravans also left for greater distances along the famous routes to Syria, Arabia, Egypt, and via Bactria to India. Exchange thus took place with most of the countries of Asia, so that the manufactured products of Babylonia were widely distributed. In the Bible, the Prophet Ezekiel refers to Babylon as the great merchant city in which commerce flourished. On the Euphrates and Tigris, navigation was of small importance, for, although both rivers carried plenty of water, they were very rapid, and silted-up at their mouth. A number of institutions in the service of trade and transport were highly advanced, and the Babylonians were the first people to use precious metals as coins, whilst a duodecimal system of weights and measures can be traced to them. There is also evidence that a form of banking business existed in Babylon. With the invention of their wedge-shaped characters, the Babylonians gave to the world the first system of writing in letters, and

many scientific achievements must be attributed to them. By careful legislation they also regulated agriculture, trade, and transport, and other economic conditions. Moreover, a large number of clay tablets have been preserved, on which, in cuneiform writing, contracts of sale, hire, or loan have been engraved.

Foreign Relations. In regard to external relations, the history of Babylonia and Assyria frequently runs concurrently. It begins with Babylonia, which, about the year 1100 B.C., was over-run by the Assyrians, who temporarily brought the greater part of Near Asia and Egypt under their domination. The Assyrian Empire, with its capital, Nineveh, was destroyed by the Medes in the year 606 B.C. Subsequently, King Nebuchadnezzar raised



CUNEIFORM WRITING

Babylonia once again into a most powerful state. He subjugated Judaea and Phoenicia, and thus re-established Babylon as the centre of the commerce and civilization of the Near East. In the interior, a whole series of reforms was effected by him. He restored the canals and thus prevented the country from becoming morass; he rebuilt Babylon, constructing superb palaces with terraces of trees (the hanging gardens of Babylon). Under his weak successors, however, a period of decay once more set in, and, in the year 539 B.C., Babylonia, whose population had long before lost its national character amongst the confusion of peoples in the Near East, was conquered by the Persian King Cyrus, and converted into a Persian province.

PHOENICIA.—The First Real Pioneers of Commerce. The Phoenicians, the chief representatives of the Syrian tribes, and, like these, belonging to the Semitic race, were the first people to undertake long journeys by sea, and to conduct commerce on a large scale. As a commercial nation in the proper sense of the

word, this gifted and enterprising little nation played an important rôle in bringing into closer contact the two civilized states of Egypt and Babylonia, which were easily connected by Phoenicia, and also in carrying the achievements of the Orient to the West. From the earliest times, the Phoenicians inhabited the narrow, but naturally well-endowed, coastal strip which lay to the north of Palestine and to the south-west of Syria, a position which led them to exploit the resources of the sea, and the trade with the populous hinterland. Navigation was favoured by the existence of a large number of ports such as Gaza, Joppa, Tyre, Sidon, and Aradus. These were quite adequate to meet the shipping requirements of that period which began about 1500 B.C. Sidon was the leading centre at first, but was subsequently supplanted by Tyre during the most flourishing period of Phoenician commerce, about 1100-700 B.C. According to the ruling cities, each of which represented a small commercial republic or city state, the Phoenicians were described in ancient times as Sidonians or Tyrians.

The Industrial Activities of the Phoenicians. Besides engaging in commerce, their navigation naturally led them to conduct fishing operations, and to a considerable extent they also carried on agriculture, cattle-raising, and numerous crafts. The cypress trees and cedars of Lebanon furnished good timber for shipbuilding. Among crafts, weaving and dyeing were raised by the Phoenicians to a high state of perfection, as were the manufacture of glass, the working of metals, and mining, though the invention of all these trades is not to be ascribed to them, since some were introduced from other countries. The Phoenicians traded with most peoples of that time, and their merchandise embraced all the then known articles of exchange. For a long period the Phoenician merchants managed to monopolize the existing sea-routes to such an extent that, at the time when Tyre stood at its zenith, other nations were practically excluded from the use of these routes and, as a consequence, were in many respects tied to the market of Tyre. In the case of some articles, as, for instance, grain and dyes, the wholesale trade was concentrated in the hands of a few patricians as a sort of monopoly. This world domination of the Phoenicians is evidently alluded to by the Prophet Ezekiel when he speaks of Tyre as the city whose merchants are princes, and whose traders are the most world-renowned (Ezekiel, 26-28). The most

important route of Phoenician trade led in a westerly direction, through the Mediterranean as far as Tartessus in the south of Spain, and on land the ports of Phoenicia were connected by numerous caravan routes running chiefly in an easterly direction, by means of which they entered into trading relations with the peoples of Central Asia. Apart from these routes, there were, of course, a number of less importance which radiated in other directions.

Nature of Phoenician Trade. The principal articles of Phoenician trade were metals, which, at the same time, formed the allurements of the most ancient maritime enterprise. Because of their importance to commerce, the discovery of the places of the production of precious metals was always the primary aim of Phoenician policy. They obtained gold, silver, lead, and tin from Spain, and the last-named metal also from Britain; they fetched gold from Arabia, and copper from Syria, Cyprus, and other colonies. A great variety of other commodities was also imported into Phoenicia, or passed through Phoenician hands, from one country to another, as, for instance, grain from Palestine, Syria, Spain, and Egypt; wine, oil, and incense from Arabia and Northern Africa; cattle, hides, and wool from Arabia or the Black Sea; slaves from Africa, Armenia, Syria, and Greece; purple shells from Greece; timber for shipbuilding from Lebanon; articles of luxury from Egypt, Babylonia, and India; and amber from the Baltic coast. Of course, these goods were not all obtained directly by the Phoenicians, but were acquired to a large extent on certain markets. Of their own products, they exported principally Sidonian and Tyrian garments, purple cloth, rugs such as were used in the temple of Solomon and the palaces of the Greeks, and Phoenician glassware, which was very highly esteemed in ancient times. With these and other products of their industry, the Sidonians and Tyrians supplied foreign countries for a long time after the magnificence of their cities had vanished. In many cases these products, which were specially prepared for exportation, are supposed to have been imitations and adulterations with which, frequently enough, the artful Phoenicians imposed upon ignorant barbarians.

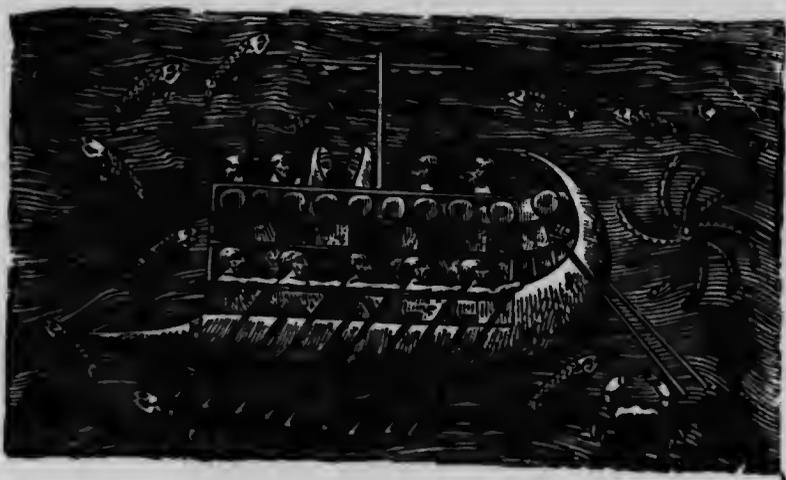
Progress of Shipbuilding and of Navigation. The maritime voyages of the Sidonians and Tyrians were only rendered possible



COMMERCE BETWEEN THE ANCIENT BRITONS
AND THE PHOENICIANS

From the picture by Lord Leighton, in the Royal Exchange, London

by the progress of shipbuilding and navigation. Both these branches were considerably developed by them, and, in addition to the oar, they probably invented sails and the rudder. In the year 1200 B.C. these seafarers had already ventured into the Atlantic Ocean, and, at a later date, they circumnavigated Africa. Their "Bireme" or Tarshish vessel, which filled the Prophet Jonah with admiration, was not excelled until the Greeks built their "Trireme" vessel. They sailed principally along the coast, or from island to island, in the



THE " BIREME "

Mediterranean. On the open sea they steered in accordance with the position of the sun by day, and at night they were guided by the Polar Star. As a rule, the first journeys to unknown parts were very adventurous enterprises, and for a considerable time they assumed the form of predatory expeditions. In the course of time, however, the ancient pirate routes developed into highways of trade. Tartessus, in the south of Spain, may be regarded as the farthest point of their regular voyages, although it is very probable that the Phoenicians continued these voyages at times to the north-west coast of Europe, and that they obtained tin from the British Isles. It is very doubtful, however, that they ever penetrated as far as the Baltic coast in search of amber, although they dealt mainly in the last-mentioned article, and in tin.

In an easterly direction they made frequent voyages to the legendary country of Ophir, which was probably situated on the east coast of Africa. It was to this country that King Hiram I of Tyre, in conjunction with his friend King Solomon, undertook an expedition which returned heavily laden with treasures, after being away for three years. (1 Kings, Chap. ix, 26-28.)

The Establishment of Colonies by the Phoenicians. The commercial expansion of Phoenicia was characterized by the establishment of numerous colonies and factories at the principal points along trade routes. They thus secured these routes for themselves, and, at the same time, created trading stations, from which many flourishing cities developed at a later period. The first of these settlements was founded in the year 920 B.C. in Cyprus. Further colonies arose in Rhodes, Crete, and in the islands of the Aegean Sea; in Sicily, Sardinia, Corsica, the northern coast of Africa, and on the south coast of Spain. The safeguarding of commerce by the establishment of such stations, explains the long duration of Phoenician commercial and maritime supremacy, which at length found dangerous and successful competitors in the Greeks and in its own daughter city of Carthage. In the first instance, the Phoenicians were displaced by the Greeks from the Aegean Sea, although their trade was more severely hit by the fact that Greek merchants had begun to make direct visits to the large barbarian markets of Asia and Africa. The Greeks also established their own colonies on the Black Sea and at the mouth of the Nile, and thus contrived to obtain the goods of the Orient without enlisting the services of the Phoenicians. In the Western Mediterranean, however, the latter retained for a long time their commercial supremacy, until, at last, the Greeks followed them there too, and, finally, the Carthaginians established their commercial domination in that region.

The Decline of Phoenicia. The political decline of Phoenicia dates from the sixth century B.C. In the year 573 B.C., after the country had for a long time been greatly oppressed by frequent Babylonian and Assyrian armed invasions, Nebuchadnezzar conquered Tyre. After the Assyrian conquest, the Phoenicians fell under the Persian, and, later on, under the Greek yoke. Nevertheless, for a long time, commerce and navigation flourished under these foreign powers, during which period the Phoenician people

devoted themselves more to manufacturing activities. Their mercantile fleet was considered an important part of their power by the various kings who brought the country under their domination. The former importance of the Phoenician cities, however, was irretrievably lost, and they were finally supplanted by Alexandria.

CARTHAGE.—Carthage was the Chief Phoenician Colony. In the seventh century B.C., when Tyre began to experience severe external and internal troubles, Carthage became the inheritor of the commercial greatness of the Phoenicians. According to traditional reports, along with the founder Elissa, the daughter of a Tyrian king, a number of the oldest and richest families moved to Carthage about the year 814 B.C., whilst other ancient families, which were still left in the mother city, afterwards fled to the new city when the storms from Near Asia broke loose over Tyre. The older Phoenician Colonies to the south of the Mediterranean sought help from this new city (which was situated not far from the modern Tunis) when they were suffering heavily from the invasions of the Libyans. Thus, the Tyrian Colony of Carthage became a new centre of Phoenician supremacy in the Western Mediterranean. It is for this reason that the history of Carthage is now discussed in connection with the closely related mother country, although the flourishing period of Carthaginian history really coincides with the Greek Epoch.

Favourable Situation of Carthage. Situated in a spot which was very favourable to maritime trade, and with a rich hinterland, Carthage soon raised its commerce to a dominating position. In the seventh century B.C., she conquered the Balearic Islands, and thus became the ruler of the sea route to Spain. When, in the sixth century, through the downfall of the New Babylonian Empire, Phoenicia came under the domination of the Persians, the Carthaginians were already masters of the north coast of Africa as far as the small town of Cirta, and thereupon united all the Phoenicians of the West into a new sea power under their leadership. They conquered Malta, Sardinia, Elba, and Corsica, and also restored Phoenician commercial supremacy in Sicily, although they failed to bring this rich island under their permanent rule. Likewise they made conquests in Spain, where Tartessus was populated anew and other cities, such as Cartagena, were founded, thus

creating important means for the furtherance of their commerce and manufactures. By the subjugation of the smaller States, and by entering into treaties with larger ones, Carthage successfully aimed at supplanting foreign trade in the Western Mediterranean, and secured her exclusive rule and undisturbed commercial



MAP OF CARTHAGE AND ITS COLONIES

supremacy of the neighbouring coastal districts. The Carthaginians also attempted to penetrate to the north-west of Europe, and in a south-westerly direction to Africa, where they reached Sierra Leone.

Apart from her trade in the products of all these rich countries, and in the products of Phoenician manufactures, Carthage carried on an important trade with the African interior, along desert routes which are still in use at the present time; partly in an easterly direction across the oasis of Jupiter Ammon (Siwah) to the Middle and Lower Nile; and partly in a southerly and south-westerly direction across the desert to Lake Tsad and the districts of Senegambia. In these negro countries, the caravans exchanged grain,

flour, bronze, wine, ornaments, and fabrics in return for gold, ivory, ebony, ostrich feathers, and slaves, all of which were valued very highly in the north.

Downfall of Carthage. During the attempt to conquer the last of Sicily, and, consequently, to acquire sole power over the whole Western Mediterranean, Carthage became implicated in warfare with the rulers of Syracuse, and, subsequently also, with their tribal relations the Greeks, who likewise interfered with their commerce in Lower Italy and Gaul. They were very near to victory when they met a still more powerful opponent, who subdued them after more than a century of war, which was conducted with varying fortunes, and ended in the total destruction of Carthage in the year 146 B.C. The town was re-built under the Roman Emperors, and still retained some sort of importance at a subsequent date. She was the capital of the Vandal Empire in the fifth century A.D., but about the year A.D. 700 the city was finally destroyed by the Mohammedans.

Causes of Its Decline. The achievements of the Carthaginians, their many settlements, colonies, and successes, like those of the Phoenicians, have not endured, and, with a few exceptions, their civilization has fallen into oblivion. The principal reasons for this phenomenon may be found in the fact that the Carthaginians did not possess a well-marked national character, whilst material interests stood too much in the foreground of their public and private life. A few proud Patrician families directed the policy of the aristocratic republic in accordance with their own financial interests, and obtained their successes by the aid of slaves and the employment of large mercenary armies. These successes lasted so long as the ruling families held together, but, when the strife for material advantages separated them, they could no longer maintain their acquisitions in the face of a powerful national body like the Romans.

OTHER COUNTRIES.—In addition to the peoples mentioned in the preceding pages as being of especial significance in the commerce of the Ancient Orient, a whole series of other nations attained to some importance in regard to trade and civilization.

Persian Influence on Commerce. In this connection mention should be made of the great PERSIAN EMPIRE—a world empire which, at the time of its prosperity, extended from the Indus over

the whole of the Near East up to the Libyan Desert, and which was characterized by its far-reaching attempts to regulate its economic conditions. A whole series of regulated administrative institutions existed in this Empire which were of great benefit to its economic life. Amongst such institutions may be mentioned the building of roads by the State, and the establishment of a kind of Government post. Thus, for instance, a high road had been built from Sardis to Susa, provided with stations for King's messengers on horseback. There was also a State-regulated coinage, and a general bi-metallic currency, the standard coin of which was the Dareihe—a gold coin, the ratio of value between gold and silver being 1 : 13 $\frac{1}{2}$.

Mintage Introduced by the Libyans. Besides the Persians, the LIBYANS stand out from the confusion of peoples of the Orient as far as their commercial importance is concerned. To them must be attributed, for instance, the system of minting coins, which was borrowed from them by the Persians.

Commercial Peoples of Minor Importance. Other peoples were the ARABS, who played an important part in conducting a trade in Arabian, Indian, and African products; the MEDES; the SYRIANS, and the ISRAELITES. However, these peoples did not attain to a civilization of their own which was sufficiently peculiar to elevate them above the level of the continually intermingling civilizations of the East. They were merely groups of the mixed peoples of the Near East, the governments of all of which degenerated into systems characterized by despotism, castes, effeminacy, and immorality, and who did not possess the force and initiative to create for themselves an independent national character.

The Greeks Introduced a Freer Form of Civilization into Europe. The people to carry out this act of liberation were the Greeks, a European people which opposed, for the first time, an independent Western civilization to that of the East, and which, in contrast with the religious, political, and economic dependence of the Asiatics, produced a free development of social institutions, and, by a victorious struggle, prevented the old system, with its rigid forms, from conquering the West. On the other hand, it ensured the triumph of Western civilization over the economic and social life of the Orient.

TEST PAPER III.

1. Account for the relative insignificance of China and India in the commerce of the Ancient Orient. *would not be the case if the revolution of the earth were not tilted on its axis*
- * 2. Write a description of the early trade of India. *to India & beyond*
3. Mention some of the chief obstacles to the development of early Egyptian trade.
4. Say what you know of Psammetichus, Necho, and the Ptolemies.
5. Compare the relative advantages of Egypt and Mesopotamia for the conduct of trade with neighbouring countries.
6. Describe and estimate the importance of the trading activities of the inhabitants of Phoenicia.
7. Give some account of the distribution of the Colonies and the extent of the trade routes of the Phoenicians.

CHAPTER III

GREECE

INFLUENCE OF PHYSICAL CONDITIONS ON GREECE.—

In the history of Greek civilization the influences of geographical environment may be clearly discerned. The coast of Greece which, especially on the east, is so irregular, with its numerous peninsulas, harbours, bays and islands, acted as a great stimulus to trade and navigation, whilst the forest-clad mountains furnished an abundance of material for ship-building. The country was more rugged than that of Asia, the soil was rocky, and fertile only to a small extent, the consequences being that agriculture could only yield good harvests by dint of hard work, and could maintain but a limited population. With the increase of the inhabitants, many people had to emigrate and settle down elsewhere, or were forced to eke out a livelihood by the exportation of home produce, for which some articles, such as wine, oil, fruit, etc., were eminently suited. Others there were who conducted trade as middlemen with the increasing masses of the people.

Moreover, the sea and mountains protected the country from Oriental influences and from conquest by the Asiatic world-powers, and thus the colonization which the Greeks had borrowed from the East, could develop in an independent and characteristic manner. Even the geographical separation of the various areas within Greece itself brought about a great variety of national development, and the whole country benefited by intercourse and mutual assistance, despite the fact that this was at the same time a source of continual strife. Under the influence of these geographical peculiarities, the highly-gifted and industrious Greek people created a magnificent form of civilization which still commands our admiration, and upon the foundation of which the Roman, and subsequently the whole of Western civilization, was built.

The flourishing state of Greek civilization, however, was closely connected with the development taken by trade and navigation, and the colonizing activity of the people.

THE MYCENIAN PERIOD.—Already, at an early period, the

Greeks—a branch of the Indo-Aryan race, had emigrated from the north into the southern part of the Balkan Peninsula, and had supplanted the original inhabitants, of which there are left only a few indistinct traces. In settling down in this region the Greeks split up into many small tribes, three of which came into prominence at a later period, viz., the Dorians, Ionians, and the Aeolians. At the time of their immigration they were still on a low plane of civilization, belonging to the later part of the Stone Age, but they rapidly rose to a higher scale. In regard to this epoch many important data have been furnished by various excavations, which, according to the principal places of discovery, are called, after Mycene, the Mycenaean Period, or according to legendary traditions, the Trojan, or Heroic Period. Under Oriental influence, a whole series of kings arose during this epoch, which dates from the year 1500–1200 B.C. Some insight into these times can be gained from the stone castles, from weapons, golden ornaments, painted earthenware vessels, etc., found in tombs, and from the patriarchal conditions which are reflected in the Iliad and Odyssey of Homer.

PERIOD OF THE DORIAN MIGRATION.—Towards the end of the Mycenaean period, the first era of Greek colonial expansion had already begun, and step by step the islands of the Aegean Sea and the west coast of Asia Minor were completely occupied. In the home country, too, the increasing shortage of food supply, due to the growth of the population, produced migration and revolution on a large scale after 1200 B.C. In this upheaval the Dorians, a strong mountain tribe, penetrated from the slopes of Mount Olympus towards the south as far as the Peloponnesus, and played such an important rôle that the period is usually known as that of the Dorian migration. This migration produced far-reaching changes in political and economic conditions. The place of the old kingships was taken by aristocratic forms of constitution, with divisions into castes which assumed different forms in different localities.

RISE OF THE GREEK CITY STATES.—During this era of aristocratic rule, or of the so-called Greek Middle Ages, dating from 800–500 B.C., commerce and manufactures took up a predominant position by the side of agriculture, the latter, however, being the chief form of economic activity during the period of the

kings. The earlier form of *natural economy* was completely supplanted by a money economy, and the system of city states rose into a flourishing condition of prosperity. This economic revolution aroused a continual feeling of dissatisfaction among the people towards the aristocratic rule, and led to sanguinary revolutions, and class warfare. The consequence of this was different in each of the small states; in some it led to pure democracy—in others, to a money aristocracy, *i.e.*, plutocracy; whilst in some it gave place to despotism (*e.g.*, the Tyrant). The driving power in all this development was the rapid increase of the population, for the maintenance of which the scanty return to agriculture was barely sufficient.

GREEK COLONIZATION.—Simultaneously with the internal revolutions, a still greater expansion of Greekdom took place towards the outside world. Thus, the period of aristocratic rule and the subsequent types of constitution, coincide with the colonization on a large scale of the coasts and islands of the whole Western Mediterranean, in the direction of Italy, Sicily, Gaul, and Spain; the coast of Egypt in the south; and the coast of Thrace, the Black Sea and the Sea of Azov in the north-east. In all directions numerous settlements arose. Their rapid expansion soon brought the Greeks into conflict with the Libyans and Persians in the east, and with the Carthaginians and Etruscans in the west. On both sides, great obstacles opposed themselves to their expansion by the year 550 B.C. Nevertheless, the progress of Greek power did not cease, but reached its highest level after the glorious victories over the Persians in the fifth century B.C., when some temporary successes had been gained over the Carthaginians.

ATHENS.—Athens, in particular, rose to heights of great splendour. In 477 B.C. it united the islands and coastal towns of the Aegean Sea into a permanent maritime union. It also became the largest and wealthiest city in the country, achieving wonders in the spheres of art and science, and excelling in its commerce and manufactures all other cities, especially those of Aegina and Corinth, which were formerly the superiors of Athens. In the subsequent period, this magnificent development of Greece began to take place at a less progressive rate, and soon led to a standstill, and ultimately to decay. In some of the states the social conditions had gone from bad to worse.

THE LOSS OF GREEK INDEPENDENCE.—Owing to the opposition presented by foreign powers, the surplus population among the lower classes could emigrate but slowly, and thus colonial expansion ceased. Revolts among the lower classes and the splitting up of parties, together with class conflict among the citizens, gradually brought about a state of demoralization. Moreover, the disunion of the various states increased, and their continual strife for supremacy culminated in the Peloponnesian wars, which were fought with great bitterness. Under these conditions, accentuated still further by Oriental immorality, Greece finally lost her liberty and fell permanently under the rule of Macedon in 338 B.C.

IMPORTANCE OF GREEK COMMERCE.—The importance assumed by Greek commerce during the aforementioned period can scarcely be overestimated. For the first time in history, a European people—the Greeks—undertook the mediation of commerce between the East and the West. It broke down the commercial monopoly of the Phoenicians, and, in contrast with the system of the latter of excluding all foreigners from trade, a policy of free exchange was instituted.

Under the commercial supremacy of the Greeks, other nations were given a much greater freedom of development, and far wider possibilities of entering into competition, than were afforded by the autocratic rule over the world's trade routes under the Phoenicians and their daughter cities. As a commercial people the Greeks were characterized by a further advantage. Though they did not display a less energetic spirit than the Phoenicians and Carthaginians, their sense of ideal creation did not finish as in the case of the latter peoples, who were solely in pursuit of material ends. On the contrary, upon the basis of their wealth derived from commerce, the Greeks brought their idealism to a remarkably high state of development. In art and science their achievements were indeed brilliant, thanks to their economic resources resulting from trade, which enabled them to realize the highest aims of humanity. This happy combination of economic, intellectual, and moral civilization manifested itself to the greatest advantage in Athens.

GREEK COLONIAL POLICY.—As in the case of foreign countries, the trade of the Greek colonies also assumed a much freer attitude

towards the mother country than that of the Phoenicians. At the same time they proved themselves much more capable of self-subsistence, since they were in the main agricultural colonies with but few manufactures of their own, and for that reason formed very suitable markets for the products of the home country, whereas the Phoenician settlements were principally used as re-victualling stations and as factories. As a rule, Greek colonization was effected in such a manner that an independent autonomous daughter city was founded outside Greece by the mother city, under the control of an experienced and patriotic citizen. Such colonies were connected with the mother city by bonds of piety and the adoration of the same gods; and also in some instances by a certain community of interests.

In addition to this original form of colonization, a few centuries later, at the time of Pericles, and emanating especially from Athens, a second form of colonization developed. According to this system, the settlers who were sent out remained citizens of their mother city, and did not form separate communities of their own. Through these citizen colonies, the Government endeavoured to assist its impoverished citizens to provide land for themselves. Finally, under Alexander the Great and his successors, a third form of colonization grew up, and the foundation of a new city was no longer restricted to the citizens of one mother city or of the mother country, but began to assume a cosmopolitan character.

THE PRINCIPAL GREEK COLONIES.—The principal Greek colonies were as follows: In the first epoch of colonization the Aeolians had already occupied the island of Lesbos and the adjacent coast of Mysia; the Ionians—Chios, Eubœa, Samos, and the west coast of Lydia; the Dorians—Rhodes, Cos, Crete, and the south-west coast of Asia Minor. During the later development, and, above all, during the eighth and seventh centuries B.C., the period of greatest progress in colonization, the Greek colonies were extended still further by the efforts of the mother country and of the colonies themselves, both of which in turn founded new cities—this process taking place in all directions in the east and the west.

The Colonies of the Aegean Sea and of Asia Minor. Amongst the Greek colonies on the islands of the Aegean Sea and the neighbouring coastal districts, Miletus was the chief port to attain great

wealth and power. It carried on sheep-rearing on a large scale, and became renowned for its excellent carpets and dress materials. Its trade extended far into the interior of Asia, beyond the Pillars of Hercules, and especially around the Black Sea coasts. For this reason, many daughter towns of Miletus arose in the latter district, and, altogether, seventy new colonies issued from Miletus in the course of time. Moreover, an important colony was formed by Phocaeans which, though small in area, possessed a very industrious population, and was instrumental in bringing to Southern France and Spain the cultivation of Greek wines and oil, as well as of Greek crafts and education. Other colonies worthy of note were Samos, with its capital of the same name, which carried on trade chiefly with the African coasts and excelled in the arts; Smyrna, an important commercial city which continues to flourish even at the present time; the island of Lesbos, with the city of Mytilene, famous for its viticulture and extensive trade; Colophon—renowned for the raising of horses; Ephesus—a town of great importance right into the Roman Period; the island of Chios, which excelled in viticulture and ship-building.

RHODES, on the island of the same name, with a flourishing trade and handicrafts as well as important navigation is supposed to have possessed the first laws relating to maritime trade, and her vessels sailed as far as Spain, where she founded colonies. On the island of Euboea, Chalcis and Eretria developed into important commercial centres. After the destruction of Miletus, Aegina, situated between Argolis and Attica, became the greatest and richest commercial city in the Aegean Sea. Crete, a state ruled by a tyrant of Dorian origin, never progressed very far in trade and handicrafts, whilst Cyprus, on the other hand, owing to its great fertility and its brisk trade in the numerous products of the island, flourished greatly under the Phoenicians and the immigrated Greek.

The Colonies of the Black Sea Region. The second large group of Greek colonies was situated in the region of the Black Sea, and furnished the over-populated Greek towns with important raw materials. Here was situated the legendary country of Colchis with its flocks of sheep, fine wool and excellent skins, and here also terminated two important trade routes from the interior of Asia. In this district, on the northern coast of Asia Minor, arose

the colonies of Heraclea, Sinope, and Trapezus, which still survive as important ports and commercial towns. On the eastern shore of the Black Sea were situated the Milesian colonies Phasis and Dioscurias (now Poti and Iskuriah in Mingrelia), of which the latter was chiefly important for the Greek trades with the rough peoples of the Caucasus and the neighbouring countries. On the coast of Southern Russia, too, the Milesians acted as middlemen in the trade between the civilized Greek world and the hordes of wild nomads living there. The chief colonies in this region were Tanais (at the mouth of the River Don) and Olbia, at the confluence of the Bug and the Dnieper. On the western coast of the Black Sea, the Milesians had founded the port of Odessus, which carried on an important trade in grain, salt, fish and meat. At the entrance to the Bosphorus from the Sea of Marmora, on the Asiatic side, was situated Chalcedon, and on the opposite coast, Byzantium, which was founded by the city of Megara. On the Sea of Marmora, the Milesian colony of Cyzicus carried on an extensive commerce. On the southern coast of Thrace and Macedonia, the Milesians had founded Candia (Crete); the Athenians, Amphipolis; the Corinthians, Potidaea. More important than these three towns, however, was Olynthus, located in the same region, as was also the neighbouring island of Thasos, the latter being important principally on account of its gold mines.

African Colonies.—In Africa, the inhabitants of the Cyclades Islands (*i.e.*, islands lying in a circle), had founded the colony of Cyrene, which, in turn, also founded four other cities, the group being known subsequently as Pentapolis (*i.e.*, five cities). These five cities carried on an important maritime and land trade between Upper Egypt, Nubia, and the eastern portion of Central Africa on the one hand, and Greece and Asia Minor on the other. In Egypt, the Greeks built the city of Naucratis. Of the islands situated on the west coast of Greece, Corcyra (Corfu) was occupied by the Dorians from Corinth, who also founded a few colonies on the Adriatic coast.

Greek Colonies in the West.—No less important, and in some respects even of greater importance, than the colonies in Asia Minor, were those in Lower Italy and Sicily. These became so numerous and powerful, that Lower Italy was known in ancient times by the name of Greater Greece, whilst the Greek language

and customs were there preserved right into the fourteenth century of the Christian Era. The most northern Greek colony in Lower Italy was Cumae, situated in the vicinity of Naples. Others were Tarentum, for a time the principal commercial city of Greater Greece; Sybaris, Locri, Croton and Rhegium (Reggio). In Sicily, the capital was Syracuse, which was founded in the year 735 B.C. Situated in a most favourable spot on the east coast, with its two harbours separated by a small island, it soon acquired an important trade, and became renowned for its wealth, power, and art treasures. Next to this, the most important town was Agrigentum, which acquired great wealth by the cultivation of grain, wine and oil, which were exported to Africa. Mention may also be made of Messene (Messina), Naxos, Selinus and Himera.

The Greek colonies in Sardinia and Corsica did not attain any particular importance, but on the other hand, the city of Massilia (Marseilles), which was founded in Southern France by the Phocaeans, became very famous. The immigrants converted the rocky and barren soil of this settlement into lovely groves and vineyards, the produce of which formed the principal articles of their commerce. From this point settlements spread along the whole southern coast of France and also to Spain, where the most famous Greek settlement was the town of Saguntum.

CORINTH.—Among the cities of Greece itself, two ports in particular excelled as centres of commerce. The first of these was Corinth, situated between two seas on the Isthmus connecting Greece with the Peloponnesus. This city flourished as a centre of commerce and navigation long before Athens became the principal city. Vessels unloaded their goods on one side of the Isthmus in order to be conveyed to the other side, where they were re-loaded into other ships, whilst smaller vessels were transported on an artificial wooden track across the isthmus. The industrial activity of its inhabitants who were engaged in weaving, dyeing, bronze casting, metal working, and fancy goods brought them great wealth.

ATHENS.—In Athens, under the protection of the constitution of Solon, arts and crafts developed rapidly, and after the Persian wars (500 B.C. to 450 B.C.) all branches of commerce and manufactures centred here. It became the market for the whole of Greece and its ships were the best and largest in the country.

It was characteristic of Greek commerce that, owing to geographical conditions, the bulk of the trade was of a maritime nature. In the interior of the country but few roads existed, and the means of transport were still in a backward condition. Moreover, since the individual households for the most part produced their own necessaries of life, excepting, perhaps, in the populous city of Athens, there was no great inducement to trade by land. In maritime trade, ships propelled by oars were principally used (especially the so-called fifty-oar vessels having twenty-five oarsmen), and for purposes of war—Triremes (*i.e.*, vessels with three rows of oars, one above the other), but only very few sailing vessels. The speed attained was very small—being about five knots per hour. Coastal shipping was predominant, as was the case with the Phoenicians.

GREEK MONEY.—The systems of coinage and of weights and measures were fairly well regulated in Greece at this time. As



A GREEK BALANCE

the standard of value, coins became more and more general after the seventh century B.C., and were made almost exclusively from silver. Gold coins were seldom minted in European Greece, but in the Asiatic colonies they were more frequently met with. The standard of value of the Greek monetary system was the *talent*, which was divided into mines, drachmes, and oboles. Owing to the fact that numerous states and townships coined money

in Ancient Greece, there were many sorts, and, in consequence, the calling of the money-changer was very general. At the same time the money-changers conducted a certain amount of credit business. A form of credit and banking operations had been introduced chiefly at the great national temples where people deposited their savings.

Generally speaking, however, the credit system was but little developed. The rate of interest for loans was very high, amounting



EMPIRE OF ALEXANDER THE GREAT

on an average (in Athens) to about 12 to 18 per cent. The advance of loans on vessels and cargoes (*i.e.*, bottomry), was already fairly well known, and the interest in such cases amounted from 24 to about 36 per cent. With the introduction of specialized dealings in money, and the growth of manufactures and trade on a large scale, a certain form of capitalism developed in the later period. Whilst some had amassed large fortunes, the number of the capitalless class increased, thus bringing about great social distinctions. Moreover, prices were continually rising owing to the increase in the media of exchange.

Regulation of the Internal Trade of Greece.—The commercial classes were separated into retail and wholesale traders. The former, like the craftsmen, were held in but small esteem, whilst the latter were highly respected, although both classes had to observe certain regulations issued by the authorities. A large number of legal and political state institutions existed in Greece at this time for the supervision or protection of commerce, in such matters as the fixing of prices in the retail trade, the policing of markets, laws referring to debts, fees, taxes, customs duties (in Greek ports 2 per cent. of the value of the goods on entering or on leaving), and treaties between various states for the facilitation or regulation of commerce, etc. The numerous regulations of this kind, however, were not developed into a homogeneous system.

EFFECT OF ALEXANDER'S CONQUESTS ON COMMERCE.—Under Alexander the Great, Greece, which had been united under Macedonian rule, but which was approaching its decline, now experienced a remarkable expansion towards the Orient, thus inaugurating a new era of colonization. This famous King subjugated the large Persian Empire, carrying his conquests across the Indus and through this region as far as the Indian Ocean. At the same time he endeavoured to consolidate the countries under his rule, Hellenizing the Orient, founding new cities, and extending Greek commerce. His wars of conquest may be compared, in regard to their consequences, with the Crusades of the Middle Ages. They opened up relations between the East and the West which were of great advantage to commerce, and brought about the establishment of new markets under Hellenic influence at the most convenient points of communication (*e.g.*, Alexandria, at the mouth of the Nile; Alexandria, at the foot of

the Hindu Kush, at a point which was crossed by the caravans from the interior of Asia).

THE HELLENISTIC PERIOD.—Under the successors of Alexander this foundation of new cities and Hellenization was continued, and as a result Greek colonization, language and customs, commercial usages and Attic coins, etc., spread more and more into the Orient, and by this means the centre of gravity of the world's trade was transferred farther towards the east. Thus, for instance, **Rhodes**, during this period, developed into one of the most important commercial centres of the whole world, but only for a short time, when the leading position was assumed by the great Empire of the Seleukites with the cities of **Antioch** and **Seleukia**, and especially by the empire of the Ptolemies in Egypt. Here the Greeks now became the pillars of civilization and economic life, and, after the conclusion of a treaty of friendship between the Ptolemies and Rome, which led to a great advancement of commerce, the capital, **Alexandria**, became the commercial metropolis of the world, and a centre of Greek art, literature, and education, and found a splendid home at the court of the Ptolemies. Besides Alexandria, a number of trading settlements and factories, conducted by Greek merchants, arose along the Egyptian and Ethiopian coasts, and these entered into close relations with Indian merchants by way of the Indian Ocean. It was this success which stimulated the Egyptian Greeks, in the middle of the first century of the Christian Era, to undertake their first voyages by the coasts of India in search of the products of that country. In their ships they carried the manufactured and agricultural products of Egypt as well as the treasures of Eastern Africa, Arabia and India to the Mediterranean ports, and especially to Puteoli and Ostia, in the Roman Empire.

Throughout this last great epoch of expansion, however, the achievements of the Greeks no longer bore the hall-mark of pure Greekdom. The newly-founded cities had assumed a cosmopolitan character, and, since they were the abode of a large number of non-Greeks, the population became very mixed—the combination of Greek and Oriental customs being described as Hellenism. In this mixture of peoples, Greek civilization, which had carried the small nation towards such high achievements, finally became lost during the Roman period.

TEST PAPER IV

1. To what extent did natural conditions influence the development of Greece in ancient times ?
2. How has modern archaeological investigation supplemented the Homeric picture of early Greek civilization ?
3. Write short notes on the following—
 - Dorian migration;
 - Natural economy;
 - Mycenian period.
4. Enumerate the chief cities engaged in early Greek commerce.
5. Compare the commercial policy of the Greeks with that of the Phoenicians.
6. Describe the causes and nature of Greek colonization. Add sketch maps showing the chief Colonies in the east and west.
7. What were the extent and the historical importance of the conquests of Alexander the Great ?
8. Describe the general effects of Alexander's conquests on trade and civilization.

CHAPTER IV

THE ROMAN EMPIRE

CHARACTERISTICS OF ROMAN CIVILIZATION.—From small beginnings, the Romans had created a powerful state system on the Italian Peninsula and now became the heirs of the decaying Greek civilization, which they had adopted by contact with the Greek colonies of Lower Italy. The majestic Greek civilization, however, received a new impetus from this agricultural people, who were possessed of a very marked judicial sense and sober wisdom, but had little power of imagination and few artistic gifts. Owing to these facts, their civilization was spread by trade and colonization, as had been the case with the Greeks. Their greatest successes, however, were brought about by warlike conquests, whilst the extension of the Roman Empire involved considerable internal and external strife.

Internal and External Relations. First of all, at home, the system of monarchy had to make way for that of the aristocracy, and, during that rule, continual strife between the Patricians and the Plebeians was carried on for centuries, ultimately finding a settlement in the Licinian and later laws, about 300 B.C. Externally, the Romans succeeded in the course of time in spreading their domination over the whole of Italy, and were fortunate in effecting the national unification of the country. In the year 264 B.C., when Rome intervened in the strife of the Carthaginians and Syracusans in Sicily, the second great epoch in Roman history commenced, and during this period Rome developed into a maritime and world power. In three long wars Carthage was subjugated, whereupon Roman domination was extended over the Eastern Mediterranean and penetrated both east and west into the neighbouring countries. In this manner, at the beginning of the period of the Emperors, succeeding the Roman Republic in the year 31 B.C., the Roman Empire had spread over the whole of the then known world, from the Atlantic Ocean to the Euphrates, and from the Rhine and Danube to the Nile. During this second epoch of Roman history, far-reaching changes in the economic

and social conditions of the country took place. Formerly, agriculture and cattle-raising were practically the only means of livelihood; the old Roman citizen divided his time between military and agricultural pursuits. Handicrafts were very little developed, and commerce had been left to foreign peoples. Chief amongst these were the Etruscans who, along the coast of Central Italy, had conducted an extensive trade long before Rome was established, and had enjoyed an advanced civilization. Other trading people were the Greeks and the Carthaginians, with whom commercial treaties had been concluded in very early times.

THE COURSE OF ECONOMIC DEVELOPMENT.—The monetary system was but little developed and not until about 500 B.C., did the Romans begin to mint copper coins, while in 268 B.C. a greater extension of the coinage system was made possible by the adoption of silver. The introduction of a system of economic world relations led to a complete change in all these conditions. In consequence of the long and tedious wars, the small independent peasants were withdrawn too frequently from the cultivation of their land, and were more and more reduced in circumstances. Finally, they were absorbed by the large estate owners, who carried on agriculture by the aid of slaves, and who became increasingly powerful owing to the fact that land was allotted to the ruling families after each conquest. In this manner, gigantic latifundia were formed, and colossal fortunes amassed in the hands of a few, whilst the large mass of the serfs and indigent increased continually and fell into pauperism. This proletariat streamed into the cities, especially into the capital, Rome, whereas the country became gradually depopulated. The large estate owners subsequently neglected the cultivation of grain in Italy, and therefore Sicily, northern Africa and Egypt furnished the principal part of the grain supply of the Roman cities. Capitalism, with slave labour and exploitation on a large scale, also became more and more prevalent in handicrafts and trade. The chief supporters of this system of economy were the Roman aristocracy, which was split up into an aristocracy of officials and an aristocracy of money. Both classes exploited the people in the most shameful manner by the creation of Government posts, and by systematically exploiting the conquered provinces through the medium of State contracts or through usury.

Under the leadership of the Gracchi a strong popular movement took place against this mismanagement, leading to frequent disturbances, fights, and revolutions, but failing to produce a betterment of these social evils. Attempts were made to pacify the people by the distribution of grain and other eatables. During the long period of peace some attempts at reform were made. Slaves became scarcer, estates were farmed by tenants—especially hereditary tenants—the system of towns became more highly developed, and better social conditions began to prevail therein, whilst the exploitation of the State by private individuals decreased considerably under the rule of the Emperors. This progress, however, was not sufficient to stay the decay which, in the course of time, extended to the provinces and finally, under Oriental influences, characterized by incredible luxury and immorality, became general. Thus the Empire, which was no longer defended by Roman citizens, but by ruling mercenaries, became split up into an Eastern and a Western Empire in A.D., 395 after Byzantium had already become the capital in A.D. 330.

Gothic and other Germanic tribes, invading the country from the east and the north, tore away one province after another from the Empire. They destroyed the Roman settlements on the Rhine and on the Danube and penetrated even into Gaul, Spain, and along the coasts of Africa. In the end, Italy itself was no longer able to offer an effective resistance to the combined onrush of the Goths, Burgundians, Vandals, Swabians and Huns, and, in the year A.D. 476, Odoacer put an end to the Western Roman Empire by proclaiming himself King of Italy.

PLACE OF THE ROMAN EMPIRE IN THE HISTORY OF COMMERCE.—The course of economic development of the Roman Empire discussed above, points to the fact that its importance in the commercial history of ancient times was incommensurate with its military success. This opinion prevailed for a long time, but of recent years it has lost much of its importance owing to the rise of a different point of view.

Concurrently with its policy of conquest, it is true, Rome did not carry on any economic policy which could have secured special advantages for its commerce, and, in consequence, the Empire never troubled much about the economic development of the multitudinous states and peoples which composed it. Everywhere

trade and commerce were allowed to develop undisturbed, and only certain taxes were imposed or services exacted, which, of course, under the rapacious officials, were occasionally rendered ruinous. On the whole, however, the commerce of the various peoples was freer under Roman domination than under the supremacy of the Greeks. Apart from a few very low local or provincial customs duties, the whole of this gigantic Empire formed one large free-trading area in which each country had its particular characteristic in the history of commerce. In spite of serious evils and many brutal acts of destruction (*e.g.*, Carthage and Corinth), the period of Roman domination was one of unfettered commercial development for many peoples. Moreover, there is no doubt that the Roman Empire brought with it much progress which helped to benefit trade and commerce. It extended the sphere of the world's trade by including within its scope Gaul, Germany, and the British Isles. The world's trade routes increased and became denser under the Romans, who created a system of well-constructed roads, which greatly facilitated traffic and rendered possible the use of improved modes of transport. As in the Persian Empire, a State post and a greater security of travel were maintained along these roads, for the Romans exterminated the pirate system in the Mediterranean, and thereby assured a greater amount of order.

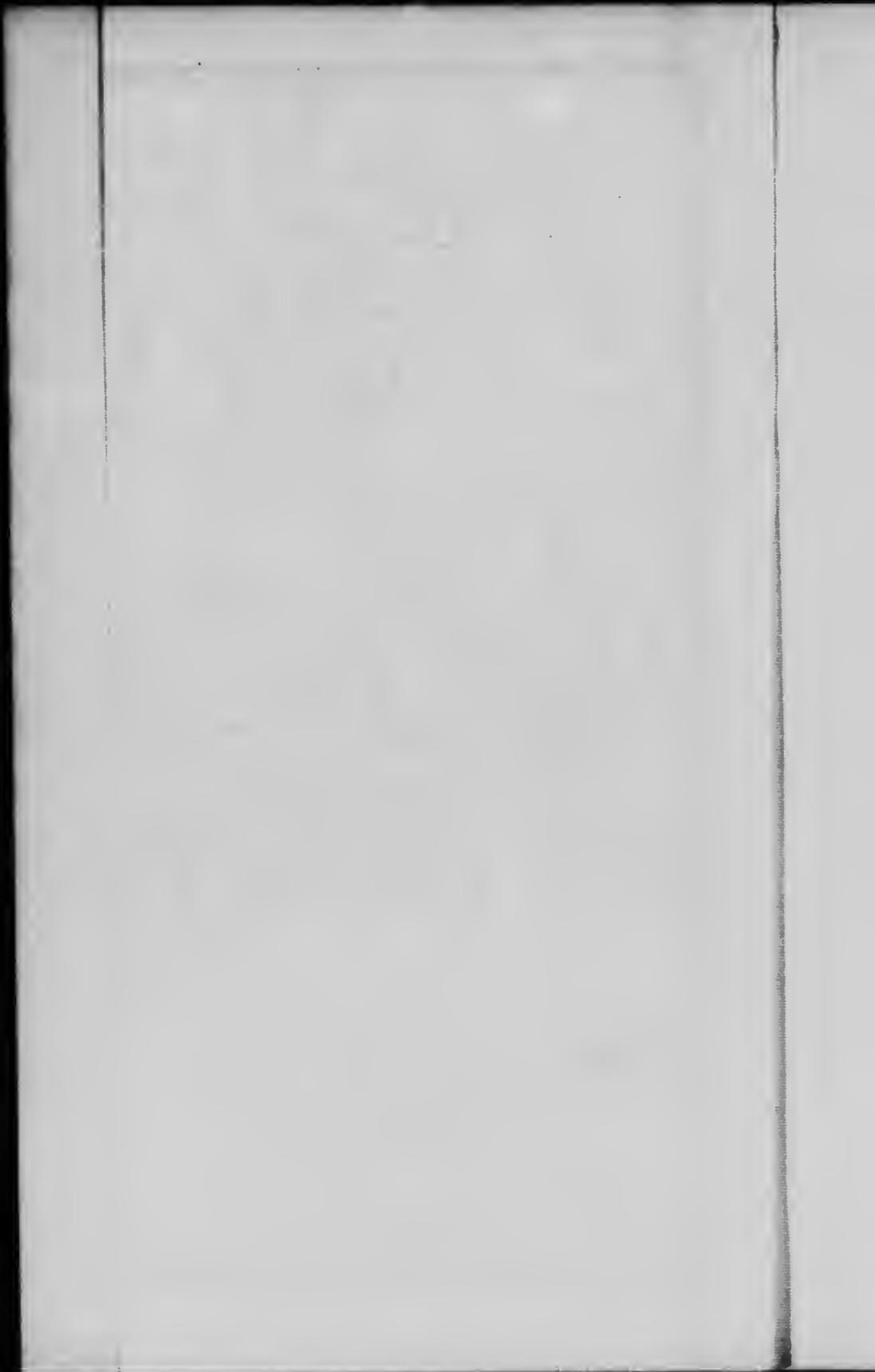
In regard to colonization, too, the Romans met with success, though on a smaller scale than that of the Greeks, and in Italy, as in the provinces, numerous cities were founded by them. At first, these were merely military stations and places for the victualling of Roman citizens, but in many cases they subsequently developed into important centres having the Roman language and civilization. In the capital, Rome, the merchants had created a huge trading emporium, and at the time of its zenith, on account of its large population, it became the leading seat of western manufactures (especially artistic crafts) and an important trade and financial centre.

PECULIAR FEATURES OF ROMAN COMMERCE.—A characteristic of Roman commerce was the fact that its foreign trade always revealed a very unfavourable balance. In comparison with the immense quantity of imports, a relatively small amount was exported. However, the display of the most magnificent splendour





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THE BRITISH ISLES AT THE TIME
OF THE ROMANS

in the warehouses and shops of Rome, the accumulation here of the food-stuffs and raw materials of the European provinces and the treasures of the Orient, the unloading of the ships of all nations at the ports of Ostia and Puteolia, were only made possible by the fact that Rome paid for everything with the money it had made from its financial and intermediary operations, or which it had exacted as tribute from its provinces. In the later period of the Roman Empire, when its power was on the wane, the adverse side of this system was revealed by a continual flow of gold to the East, which, in the end, led to a scarcity of money in the West.

PROGRESS OF NAVIGATION UNDER THE ROMANS.—A further development of navigation also took place under the Romans. They contrived not only to build superior ships of war, but their large merchant vessels also attained a fairly high speed and maintained regular services to the Northern seas and the Indian Ocean. Rome and, later on, Byzantium, were supplied with grain by means of an enormous fleet of grain ships.

ROMAN MONEY.—The money, weights and measures were gradually formed into a uniform system for the whole Empire. Up to 268 B.C. only heavy copper coins had been in use, but subsequently silver coins became current, and, towards the end of the Republic, gold coins were minted. The gold coin—*aureus* (later on, *solidus*)—was equal to twenty-five silver *denarii*. After 15 B.C. the privilege of minting gold or silver coins belonged to the Emperor, whilst the Senate had only the right to issue copper. At a later period, however, exceptions were allowed in favour of many communities and provinces. Moreover, some Emperors issued debased silver coins until, at last, in the third century A.D. the entire monetary system fell into decay. The introduction of a new system of currency by Constantine the Great, about the year A.D. 312, led to the restoration of a certain amount of order in the system. Credit assumed a high state of development, and the banking and financial business was carried on in the same way as in Greece, but on a larger scale, the centre of finance being Rome.

ROMAN LAW.—Finally, of great advantage to commerce was the splendidly developed system of Roman law, and although a separate branch appertaining to commerce and manufactures was not evolved, yet a number of legal statutes existed which had reference thereto. On the other hand, the incomparable nature



No. 1.—Roman As (about 400 B.C.), with figure of Janus and prow of a ship (copper).



No. 2.—Roman Deuarius about 260 B.C. (silver).



No. 3.—Roman Aureus of Julius Cæsar 46 B.C. (gold).



No. 4.—Roman Sestertius of the Emperor Nero (bronze).

ROMAN COINS

of the general civil law was of great assistance to commerce. The law of obligation, regulating the exchange of commodities, maritime law, and the law referring to money-changers, etc., are probably the best examples. Usury was regulated by law. The general rate of interest which, under the Republic, was limited to 1 per cent. per month, subsequently fell to about 4 to 6 per cent. per annum in Rome, owing to the increased accumulation of capital.

Customs duties were levied in a very few places on the borders of the Empire, as foreign trade was practically non-existent, whilst in the interior only a very few local duties were imposed. On the other hand, the exportation of a number of important articles was prohibited.

TEST PAPER V

1. Compare the civilization of Rome with that of Greece, bringing out the chief characteristics of each.
2. Give an account of the government and administration of the provinces under the Roman Republic, noting the defects of the system.
3. What exactly is meant by the term "civilization"? Illustrate your answer from what you know of Greek or Roman civilization.
4. Give some economic reasons for the decay of the Roman Empire.
5. In what way was commerce facilitated under the Roman Empire?

SECTION II THE MEDIEVAL PERIOD

A.D. 476—A.D. 1453

CHAPTER I

GENERAL SURVEY

EFFECTS OF THE BARBARIAN INVASIONS.—Since Rome could no longer stem the tide of the barbarians, the great migration of peoples which swept across the whole of Europe and Northern Africa led, in the west, to the destruction of the wealth and civilization of the ancient world. In the extreme east of Europe, in the Byzantine Empire, remains of wealth, education, and Roman civilization still maintained themselves for a long time, and the capital of the Eastern Roman Empire, the ancient Byzantium, now called Constantinople, became, along with Alexandria, the centre of commerce between Europe and Asia. Together with this Hellenistic type of Roman civilization, which survived for nearly another thousand years in increasing fossilization and orientalizing, new pioneers of progress made their appearance.

Rise of the Arabian Empire. In the seventh and eighth centuries A.D., the Arabs, under the influence of the new Mohammedan religion, extended their power and created a great Empire which absorbed half of the entire area formerly possessed by the Eastern Roman Empire, and extended from the Indus across Western Asia and Northern Africa as far as Spain. During its short career this Empire for a time excelled the contemporary civilization of the west. At the same time, in the north-west and central parts of Europe, the chaos of fermenting forces which were left behind by the great migration, were subdued under the healing influence of Christianity.

Development of Latin, Germanic and Slavonic Spheres of Civilization. From this confusion there gradually arose clearly defined nations and states with a characteristic civilization of

their own, which brought a renewal of life, both physical and moral, to the degenerate western world. Thus, in the south and west of Europe, the Latin spheres of civilization arose, whilst in the north the Germanic, and in the east the Slavonic peoples each developed a social system of its own. Many centuries elapsed before social organization, trade and civilization reached to anything like the standard achieved in ancient times, so great was the destruction which had been wrought by the great migration of peoples. However, subsequent development, especially amongst the Teutonic peoples, was all the more permanent and sound.

Decline of Commerce in Western Europe. During this gradual construction of the Teutonic and Latin spheres, to which period the germs of their later development can be traced, there is but little material of importance to the historian of commerce. In comparison with the conditions prevailing in Rome, trade and transport sank to a very low level, and progress was observable only amongst the Byzantines, the Arabs, and finally, towards the end of the Middle Ages, amongst the Latin and Teutonic peoples. In the Roman Empire, security under the law had passed away. The transport of goods by land, as by sea, involved a greater amount of risk. The wholesale trade of the Ancient world was destroyed; money economy became practically non-existent on account of the preponderance of natural economy; roads had been destroyed, and the towns had become smaller. The area of the world's commerce itself became enlarged by the fact that the Germanic, the Scandinavian, and the Slavonic countries had been added to it, and three new seas—the Baltic, the North Sea, and the Atlantic Ocean were opened up to navigation. On the other hand, however, the former homogeneity of the area of the world's trade disappeared with the increasing separation of the Christian countries of western Europe from the Islamic and Bhuddistic Orient. This separation was still further accentuated by the aloofness of the Byzantine Empire from the west, and by the separation of the two Christian Churches—the Greek and the Roman Catholic.

Amongst the countries overrun by the great migration, the first to experience an improvement in their conditions were those in which the Barbarian invaders, having satisfied their lust for destruction, intermixed with the native inhabitants, and adopted many of their institutions and customs. On the other hand,

however, Teutonic blood reinforced the former Roman or Romanized population. This was the case in Italy, in Southern Gaul, and in Spain. In the last named country, contact with the invading Moors, who founded a remarkably high state of civilization, exercised a very beneficial influence.

Temporary Revival of Commerce under Charlemagne. In the Germanic countries better days were experienced under Charlemagne. Under his rule, a more orderly administration was created, and agriculture, commerce, and education were improved by legislative enactment. This king also constructed roads, and even attempted to materialize the plan of a canal between the Main and the Danube. Unfortunately, the work of this great Franconian king was interrupted by the occurrence of periods of disturbance under his weak successors.

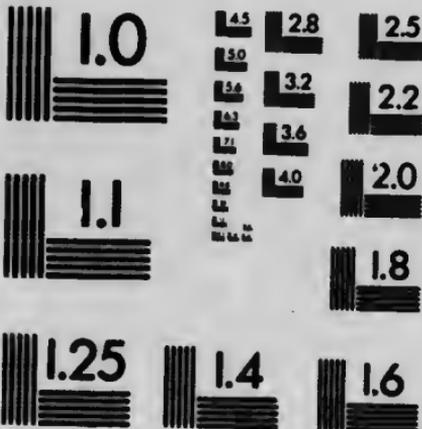
Commercial Progress Retarded until the End of the Barbarian Invasions. A last act of the migration of Germanic tribes led the Norsemen to cross from their home in Scandinavia, right over the frontiers of the Franconian Empire. In its far-reaching conquests this seafaring people reached Iceland, Greenland, and even the North American coast. From the east, frequent invasions of the Empire were threatened by the Slavs, and it was not until the roving of the Vikings had ceased and the Slavs had been pressed back still further, that more steady progress was really begun. During this period, owing to a more intimate intercourse between the various nationalities, the European State system was formed. The first countries to develop a definite national unity and a Central Constitution were England, France, and Spain, whilst in Germany and Italy such unity was conspicuous by its absence, and in consequence trade and commerce were detrimentally influenced in the latter countries. Moreover, a system of natural economy lingered on in Germany longer than in other countries, owing to the fact that the latter were drawn into the sphere of the world's trade at an earlier period, and therefore adopted earlier a system of money economy.

THE CRUSADES MARKED A NEW EPOCH IN COMMERCE.— Up to the time of the Crusades, however, commercial intercourse was insignificant, but during this time a new epoch began for commerce. Through the medium of the Crusades the Christian countries of the Middle Ages were once again brought into closer



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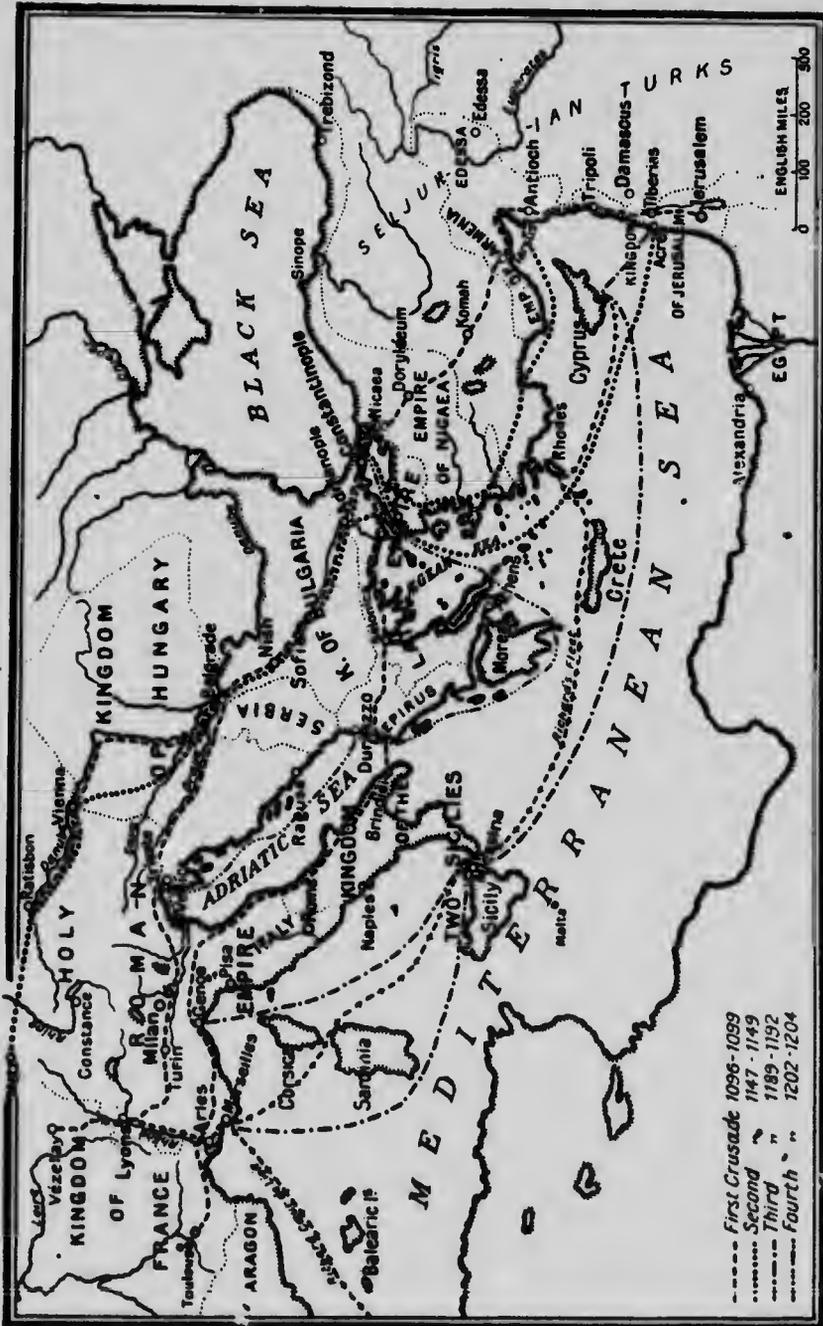


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contact with the Orient. The crusaders who recognized the superior civilization of the east, with its industrial activity, its systems of government, its luxury, mode of life, art and science, naturally returned home with newly acquired wants. In the west, the outlook and sphere of activities were thereby extended, and the essential elements of Oriental civilization were adopted, so that a new mental development seized the Germanic countries. The hordes of warriors and pilgrims were succeeded by missionary and commercial achievements, and, in order to satisfy the dormant wants of the people, far-distant trading relations were entered into, and commerce and manufactures in the Mediterranean fostered. The beneficial influence of the Crusades and the opening up of the Levant was most directly manifested by the commerce of the cities of Southern Europe. For this reason the commerce of Italy was the first to rise into importance, and the great commercial cities of Venice, Genoa, Pisa, Amalfi and Florence came into prominence. In a similar manner, though to a less degree, the resurrected trade with the Orient benefited Southern France and Spain. This was followed by an increasing development of trade in the central European areas, which mediated the commerce between the south and the north. In this connection the towns of Upper Germany, on the Danube and the Main, should be noted, as well as the Lower German towns on the Rhine, the North Sea, and the Baltic. These places benefited by the conduct of an increasing trade with the coasts of Northern Europe, and formed a powerful maritime and commercial union in the shape of the Hanseatic League. Of importance were also the north-eastern portion of France (especially Champagne), Brabant, and Flanders, the countries most favourably situated for the northern trade with the commercial city of Bruges. In all these places, along with trade, independent crafts and improved transport facilities were developed. In comparison with these countries, the commerce of England, Denmark, Sweden, Norway, and Russia was still in a backward state.

MEDIEVAL TRADE ROUTES.—Consequent upon the course of development of trade, it is important to trace the direction of the most important trade routes in the Middle Ages. The great migration had wrought extensive changes in these. In the Orient alone did they remain essentially the same, although there, too, they



MAP OF THE CRUSADES

changed hands. Furthermore, throughout the early Middle Ages, Constantinople was the chief nodal point in the world's trade routes. In some respects the commercial importance of this city continued to increase, owing to the fact that direct trade between the Orient and the west ceased almost entirely, and, in consequence, Constantinople acquired practically a monopoly of the intermediary trade. Of course, this trade was no longer a very extensive one. In particular, the Western Mediterranean route to Italy, France, and Spain was barely a shadow of its former self, owing to the falling off of the demand of the Teutonic and Latin peoples. In addition to this Mediterranean trade route, there was another one starting from Constantinople, leading across the northern coast of the Black Sea, along the rivers Dniester, Dnieper, and Don, then across the watershed between the Black Sea and the Baltic, and along the Pregel or Dwina to the Baltic. For a long period of time members of the Scandinavian peoples—the Waragers—had made use of this route. At its terminus, it linked up with an old Norse sea-rovers' route which led in a westerly direction through the Baltic and thence across the North Sea to the Britannic Isles. Finally, Britain was connected with Southern Gaul and Spain by trade routes dating from the Roman period.

Thus the principal routes of early Medieval commerce formed a square, on the four corners of which were Constantinople, Spain, England, and Scandinavia. The corner located in England soon developed a centre in London on the estuary of the Thames. In addition to the four principal routes there existed, of course, numerous branch routes. Thus, for instance, Byzantine goods frequently reached Northern Europe by way of the Danube, on which river **Ratisbon** soon arose as a trade centre, and farther north goods were transported on land by way of Kiev and Novgorod. These, however, were only subordinate routes, and controlled very little traffic.

DEVELOPMENT OF THE TRANS-ALPINE TRADE.—On the whole the commerce of this period, even on the principal trade routes described above, was not of very great significance. The importance of these routes dwindled still more in the ninth century, when the Southern European States again opened up direct connections with the Orient, and the efforts of the successful Italian merchants, together with the influences of the Crusades and the pilgrimages

to the Holy Land, finally brought to a termination the commercial domination of the Byzantines. In this manner, the bulk of the trade from Constantinople was diverted during the thirteenth and fifteenth centuries, and directed by the Italians from the Central Asiatic markets (*i.e.*, from Bagdad, the Black Sea, Damascus, etc.) to the Italian seaports. The goods were then carried from these ports across the Alps to Germany, and through Germany to England, Scandinavia, and Russia. Thus, through the middle of the old square of trade routes, a new highway arose, which proved to be far superior to the earlier routes, and which dominated the world's commerce throughout the later Middle Ages. Germany, which formerly had not been touched by the world's principal traffic, was now intersected by the chief trade routes running from north to south, and therefore began to participate in the world's commerce. In the parts of the country sharing in this commerce, civilization rapidly advanced. In the fourteenth century the Italians and other southern Europeans began to take up navigation to a greater extent, and even traded with the Atlantic coasts of Europe. The principal benefit derived from the development of this western trade route into the Atlantic, was reaped by Bruges.

Influence of Economic and Social Conditions on Medieval Commerce. The economic and social conditions of the time, marked medieval commerce with a characteristic peculiar to itself, which, in spite of many differences, had its fundamental traits fairly uniform throughout the countries of western Europe. In the beginning, the domestic system, with its natural economy and barter, prevailed nearly everywhere. Agriculture constituted the most important branch of production, and even this was still in its infancy. Crafts were either carried on in the homes of the people, or were conducted on the estates of laymen or the clergy. Trade, which was insignificant, was undertaken by foreigners in the form of a pedlar's trade, and consisted of very few articles. In a social sense, the feudal system developed at an early period, and under it the peasants, who were originally free, now became serfs, or at least liable to pay tithes. There arose innumerable proprietors, with large estates and sovereign power over the small peasants. Thus feudalism had far-reaching consequences on the social development. Everywhere it was the cause of revolts, especially in Germany. Here it maintained itself for a long time,

whereas in England and France, it was abolished at a much earlier date.

Great Social Changes were Wrought by the Rise of the Towns. A thorough change gradually took place in these conditions on account of the growth of towns, which first flourished in Italy, then in France and England, and finally also in Germany. In this way a transition to a new stage of social life took place, that is, a change to town economy, with its monetary basis which will be described later on.

A regular local traffic developed between the town and the surrounding country districts, both of which combined to form an economic whole. In view of the fact that the manufactured products of the towns were exchanged for the food-stuffs of the country through the medium of the local trader, there was no longer any need to procure them by one's own production. In the towns, more liberal forms of economic organization arose as compared with the feudal conditions existing in the country. The towns possessed their own form of administration, and managed, in the course of time, to increase their independence by the acquisition of numerous privileges, whilst the burghers themselves were free men.

It was also in the towns that the movements originated which afterwards led to the breakdown of the feudal system. Moreover, the towns were the seats of manufacture and of commerce, both of which were organized into guilds. The handworkers combined themselves into craft guilds, whilst the patrician merchants and retailers formed themselves into merchant guilds. Almost everything was in the hands of the native patrician families.

When the craft guilds became more powerful and self-conscious, however, they, too, demanded a share in the administration, and thereby came into conflict with the patricians, as may be observed in Italy, France, Germany and the Netherlands. In the course of these conflicts they gained influence nearly everywhere in the municipal administration, and in some places they even got the upper hand. In spite of these conflicts, the towns experienced great prosperity, and intellectual and aesthetic aims were developed in them. The greatest prosperity was attained by those towns which were situated on the great world route which, since the twelfth century, had led from the south to the north of Germany.

MEDIEVAL CRAFTS.—As regards the crafts carried on in medieval towns, these attained a high state of development first of all in Italy, where they were built up on the Roman tradition, but subsequently also in other countries. Nearly everywhere there arose simultaneously craftsmen satisfying local requirements, such as smiths, locksmiths, bootmakers, carpenters, bakers, butchers, brewers, etc.

Among the medieval industries which gained a more extended market may be mentioned the manufacture of textiles, glass, and paper in the Italian towns; the weaving industry of Flanders, which had already developed there in Roman times; the linen weaving of the Swabean towns; the silk industry of Spain; the mining industry of Germany; and the manufacture of arms and the brewing of beers in the Italian and Upper German towns.

CHIEF ARTICLES OF TRADE DURING THE MIDDLE AGES.—The commodities of the world's commerce did not become numerous nor increase considerably in quantity until after the time of the crusades in the twelfth century. In accordance with the existing industries, the chief articles entering into long distance trade were wool, woollen cloth, silks and linen goods, dyeing materials, and metals and metal ware of all kinds, as well as salt, herrings, dry goods, and articles of luxury. In the local trade the commodities dealt in between town and country districts were far more numerous; and the turnover was large.

MEDIEVAL METHODS OF TRANSPORT.—In the conduct of trade with distant parts, frequent use was made of the rivers, in consequence of the bad condition of the roads. For this reason, during the later Middle Ages river navigation made great progress, and the most important commercial centres sprang up on the large rivers, as, for instance, on the Rhine and on the Upper Danube. Traffic by land also increased considerably, especially along the Alpine roads connecting southern Germany with Italy. Moreover, maritime traffic on the Mediterranean was conducted chiefly by Arabs and Greeks, especially with the coastal towns of Italy and of Spain (*e.g.*, Barcelona and Lisbon), as well as of France (Marseilles). In the north of Europe it was conducted in the earliest times by Norsemen, and later on, by the Low German and Flemish merchants. In the later Middle Ages, navigation was greatly improved. With the introduction of high-walled ships,

the more general utilization of sails, and of the compass, and a better method of calculating the time, navigation was far superior to the galleons of the Ancients, and long voyages from the coasts were rendered possible.

ESTABLISHMENT OF MORE DIRECT TRADING RELATIONS.

—In the Middle Ages, trade with distant parts was no longer characterized as intermediary trade to the same extent as it had been in ancient times. The desire to get as near as possible to the sources of production, which was observed among the Greeks, evinced itself in a far greater measure among the Italians, when they displaced the Byzantines by the opening up of direct relations with the markets on the Black Sea and with the interior of Asia. In an even greater measure are we confronted by this spirit during the bold voyages of exploration which were undertaken in the fifteenth century from the seaports of south-western Europe, in order to discover a direct sea-route to the immense treasures of India.

The Intermediary Trade still Survived. Of course the mediation of trade between one place and another still played an important rôle. Thus, for instance, the Italian cities, apart from their direct relations with the Rhenish and Flemish cities, as a rule conveyed their goods no farther than the towns in southern Germany. In like manner the merchants of southern Germany did not extend their operations beyond the northern limits of their country, but left the trade beyond the latter area to their northern

For the voyages prior to the second half of the fifteenth century, the Baltic merchants seldom penetrated beyond the ports of the North Sea, where they bought the products of the south which had been carried there by way of the Atlantic. It was only in order to fetch salt and wine that they undertook their so-called Bay voyages to some port in western France. Thus, Germany was divided into two commercial spheres—the Lower Germany which carried on trade with the north, and the Upper Germany which carried on commerce with Italy across the Alps. The great route which traversed Germany from north to south was thus a disconnected one, being bisected in the middle.

One of the many reasons for this peculiar phenomenon lies in the insecurity and difficulty of conducting trade over a long

distance. On both land and sea the transport of goods was exposed to the attacks of brigands, whilst on land, the robbing of a merchant or the raiding of a town was considered a knightly deed. Nearly everywhere a poor state of peace prevailed, and there was an almost continuous condition of war existing between the various rulers, so that a merchant was obliged to purchase a safe right of way in order to reach his destination. Likewise (in a large number of small states) there were levied numerous customs and other imposts which proved to be great impediments to trade.

Through these various dangers the merchants, protected by armed men, were obliged to accompany their goods in person, or else convey them in community with others.

The only Possible Method of Carrying on Trade was by Groups.

7 In order to give greater security to trade, the merchants of one or more towns, for mutual protection, formed themselves into unions called guilds, with the object of representing their common commercial interests at home and abroad, and obtaining special privileges for themselves. In foreign countries they aimed at the foundation of settled trading stations, legal protection, the possession of privileges for the conduct of their trade or the erection of special factories, depôts, offices, etc. In this way the Venetian merchants, for instance, appeared in the Eastern Roman Empire as a strictly homogeneous community. On the Bosphorus and the Black Sea they founded settlements, extracted privileges from the Byzantine rulers, and established a colonial empire in the east. The South German merchants had formed a league for the conduct of trade with Italy, where they possessed a common depôt and buying house at Venice. A most powerful union of this kind was the German Hanseatic League, which was formed by the combination of the North German cities. The League possessed its own offices and factories in London, Bergen, Bruges, and various other places in the Northern trading area.

Influence of Fairs in the Extension of Commerce. A valuable means for the furtherance of trade consisted in the establishment of fairs and markets, which went hand in hand with the rise of towns. Originally they were formed in the vicinity of the old Roman settlements, at the seats of bishops, or at places of pilgrimage. Later on, the establishment of markets was effected more systematically by means of legal regulations,

"In England, in the tenth century," says Clive Day in his *History of Commerce*,¹ "a man was not allowed to buy or sell any goods above the value of twenty pence, unless he did it within a town where a public official and witnesses could legitimate the bargain."

Under the protection of the King, a "safe conduct" was afforded to all those who brought their goods to the market, which was held at certain stipulated times.

The first important markets and fairs grew up in Champagne, where they attained their greatest prosperity between 1150-1250. With the rise of Bruges as a prominent emporium of the world's trade, exchanges upon markets gravitated to other places, amongst which may be mentioned Geneva, Lyons, Frankfort, and the towns of northern Germany. The famous Leipzig Fair was not established until after the Thirty Years' War.

THE MONETARY SYSTEM OF THE MIDDLE AGES.—The systems of money, weights and measures, which were almost everywhere subject to the control of the authorities, suffered greatly during the Middle Ages on account of political disruption.

In the course of time great confusion arose, especially in Germany, where the right of minting was exercised by every large town, the numerous dignitaries of the Church, and by the small rulers. The standard of value changed frequently, and counterfeiting was very prevalent. At first, the Byzantine coins were in universal use, and the Arabs put into circulation a large number of gold coins. Subsequently there went forth from Italy the zechin and scats, and from Germany the gulden. Owing to the intercourse with Italy, a kind of gold standard was in existence in the cities of southern Germany, whilst in northern Germany there was only a silver standard.

Fluctuations in the Value of Precious Metals. The value of money during the Middle Ages rose tremendously, since a large portion of the previously existing precious metals was lost during the great migration. The almost complete cessation of gold and silver mining further accentuated this rise. After the ninth and tenth centuries, the value of money again sank owing to the increase of the media of exchange, especially in consequence of the development of the silver mining industry, which flourished in the Hartz

¹ Page 34.

Mountains, in Saxony, and in Bohemia. In accordance with the fluctuations in the value of precious metals, the first half of the period was marked by a continual fall, and the second by a continual rise in the general level of prices. The relative value of gold and silver was subject to frequent oscillations. For a time in Italy it was 1 : 16, but afterwards it fluctuated between 1 : 9 and 1 : 13, and towards the end of the fifteenth century it was about 1 : 11. The confused and uncertain state of the currency rendered the business of the money changer very remunerative and important, and this soon began to embrace, not only money-changing proper, but also the granting of loans at interest, and the regulation of the means of payment by the issue of bills of exchange.

Development of Financial Institutions. Owing to the general insecurity in the transport of money over long distances, bills of exchange came into use among the Italians and "organized money-markets were held at the great fairs of Champagne, Geneva, and Lyons; and bills from many distant towns were drawn for a definite date on bankers at these fairs."¹ In the thirteenth century this form of business was already concentrated in a few hands, being conducted by Italians (who were known under the name of Lombards), Southern Frenchmen, and Jews. In the course of time, however, there came into existence a special class of money-changers, organized in a gild, some of whom gradually extended their business into large banking undertakings which received deposits at interest. The home and centre of these banks was the Italian cities, especially Florence, which numbered amongst its banking houses such famous names as the Bardi, Medici, the Peruzzi, and the Fresco Baldi. Besides these private banks, companies soon arose in the large commercial centres which devoted themselves to the cheque system. Already towards the end of the twelfth century the Bank of Venice had been founded, followed in 1407 by a similar bank in Genoa. In 1587 the Banco di Rialto was established as a State Bank in Venice, and in 1619 a second State Bank came into being in that city under the name of Banco del Giro, and this existed until 1806. Shortly afterwards, similar institutions sprang up in other towns, especially in the commercial centres of Germany.

Other Trading Institutions. In addition to the highly

¹ Cunningham, *Western Civilization*, page 176.

organized system of banking which prevailed towards the end of this epoch, there arose various other institutions. Thus, in the maritime trade, the practice of bottomry had come into use. Likewise insurance was already well known, and attained a state of high development, especially in Florence, Barcelona, and the Netherlands. Commercial instruction and intelligence found their chief seat in Italy, where the Arabic system of numerals was introduced in the thirteenth century, and where double-entry book-keeping, the first forms of trade technique, and of banking, became known.

8 It was in Italy, too, that the first commercial text-books appeared, *i.e.*, during the fourteenth and fifteenth centuries.

3 Aided by the wealth accumulated from their commerce, the Italian cities fostered science and art in a large measure, whilst the Renaissance and the Reformation were destined to play an important part in the development of Europe.

COMMERCIAL POLICY DURING THE MIDDLE AGES.—The commercial policy of the Middle Ages emanated from many districts and was therefore very varied. Especially was this the case in Germany and Italy, where political disruption was so great that in the former there were about six hundred different states at the end of the fifteenth century. The conditions were better in England, France, Spain, and the Scandinavian countries, where a uniform national constitution and legislature were created at an early date under a strong central government. As early as 1215 England had obtained the Magna Charta which was the foundation of a parliamentary constitution. This variety has proved of great importance to the whole economic and political development of European states, especially in regard to their commercial policy. The splitting up of Germany into a large number of economic and political units, for instance, impeded the free growth of commerce and caused it to lag behind that of other states. This disadvantage for Germany, however, did not manifest itself until comparatively modern times. As regards the Medieval Period, it is scarcely correct to speak of such a disadvantage; during the later Middle Ages the commerce of most states was hampered either by the internal conflict between the King and the aristocracy or Parliament, or by long foreign wars and high imposts, whilst the German cities pursued their commercial interests in a systematic

manner, unhindered by the imposts of a central authority. Thus, the Hanseatic towns reaped their own trading privileges out of the quarrels of foreign powers. It certainly cannot be regarded as an unmitigated drawback that the political disruption of Germany did not lead to the establishment of such a paramount and central city as, for instance, London or Paris, but that a whole number of equally important commercial centres arose, as was the case in Italy during this period.

There was no characteristic commercial policy during the early Middle Ages. Slowly, however, under royal protection, a greater amount of freedom was extended to foreign merchants, who, generally speaking, had been without rights, especially as far as the Jews were concerned. Furthermore, a more definite policy arose in the protection of markets by royal power, in the King's authority over the minting of money, and in the levying of customs and other duties. At first, these duties were considered a royal prerogative, but soon, like the right of minting, they were handed over to the towns.

Some places, however, also arrogated to themselves the right to levy duties without any legal authority. The most important forms of these imposts were the market tolls, which were levied upon the trade turnover, and, in particular, the transit tolls which had to be paid at innumerable places, especially along the river courses. Thus, on the Rhine during the twelfth century, there were twelve or thirteen of such toll bars; in the thirteenth century there were over forty; and in the fifteenth century more than sixty; whilst a similar state of affairs existed on the Loire. Of course, the amounts levied were not generally very large.

On the high roads, where it was easier to avoid the payment of duties than on the rivers, attempts were made to increase the yield of the tolls by forcing traffic to follow certain routes, but happily the execution of this rigorous expedient did not meet with much success owing to the lack of control.

The Policy of the Towns. The industrial and commercial policy of the towns began to shape itself into a homogeneous system, especially in Germany, where the towns had great political freedom. The trade of each town with the outer world was strictly regulated by the municipal authorities. In particular, the dealings of strangers in the town were subjected to certain restrictions, and

only for short periods on certain market days were outsiders admitted for either buying or selling, and then only in the interest of maintaining an outside trade, or in the interest of consumers. Some towns also exercised the right of *depôt*, according to which no goods were allowed to pass through the town without being subject to several days' detention, during which they were to be available for sale at a certain fixed price.

On the Rhine, Cologne especially enforced this right of *depôt*, and here it was not abolished until the nineteenth century. On the Danube, Vienna also possessed this right. In the Baltic trade, Lübeck maintained the right until the Dutch broke down the monopoly, and thereby hastened the downfall of the Hanseatic League. A similar law was also in force in Venice, where foreign merchants, and especially Germans, were not allowed to pass through to the Levant, and were prohibited from doing business in Venice with anyone but Venetians, whilst all goods bought by Venetians had to be brought to the market of Venice.

Further, each municipality aimed at the complete domination of its sphere of influence by instituting a policy according to which it reserved to itself the sole right in trade within a mile of the town. In this way the surrounding villages were obliged to bring their products of sale to the town market, where likewise they could cover their requirements of manufactured goods. The inhabitants of this mile limit were only allowed to buy or sell at other towns after they had offered their produce in the local market several times without success, or had furnished a proof that they were unable to fulfil their wants within the town. The enforcement of the law respecting this mile limit was especially pronounced in Paris. In the municipal market which had thus been safeguarded, the larger commercial centres possessed an important instrument of power, which they frequently used for the purpose of demonstrating their authority. Exclusion from the municipal market was a favourite measure resorted to in the frequent disputes between towns, or in dealing with recalcitrant neighbours, as, for instance, the warlike country barons. The Hanseatic League also made use of this policy as a means of bringing force to bear on foreign states.

The desire to protect consumers also played an important part in the trading policy of the municipality, and led to municipal

scales of prices and to numerous regulations for controlling the quality and weight of goods, and competition, whilst the control of the municipal markets necessitated the employment of a whole army of officials. The export trade of the towns was likewise publicly organized, partly by the merchant gilds and partly by the town council.

REGULATION OF TRADE BY CUSTOM AND RELIGION.—

Taking its origin in the towns and in the municipal markets, the regulation of trade was carried out more and more by legal enactment. At first, trading intercourse was regulated partly by the Roman code of law and partly by the prevailing common law, with its rough formulae such as the judgment of God, the duel, etc. In the course of time the needs and usages of the professionally organized citizens led to the establishment of commercial law. In particular the law appertaining to bills of exchange and marine insurance was developed in a remarkable degree. The Christian Church also exercised a great influence on the legal views of the Middle Ages by teaching the principle of the unselfish love of one's neighbours, the protection of the weak, and that it was a sin to cheat one's fellow-beings. Furthermore, the Church exercised a very beneficent influence by spreading civilization and by the good examples it manifested through the economic activities of the monasteries.

9 Nevertheless, the exaggerated economic views of the Medieval clergy, who denounced egotism in the most severe manner, and who demanded the abnegation of all material wealth, have had no lasting influence, in view of the necessity for making profit in trade; and hence there arose the dogma of the Church that the profit of the farmer or of the craftsman was to be considered legitimate, whilst that of the merchant was regarded as illegitimate. Thus the early views of the Church had to be abandoned. Likewise, the attempt of the Church to prohibit usury and the payment of interest has been without permanent effect, seeing that with the progress of industry loans at interest could not possibly be avoided. The prohibition of usury and of the payment of interest did not apply to the Jews, who, in consequence, practically monopolized the business of money-lending as their own special calling. Throughout the whole of the Middle Ages the Jews held a peculiar position in the sphere of commerce. Excluded from agriculture

and manual labour, they were compelled to turn their energies to trade. As the Christian prohibition against the taking of interest was no concern of theirs, the loan of money at interest became for them an extensive and profitable business. Exiled, robbed, and restricted by laws regarding usury, they were nevertheless resorted to by debtors, great and small, and in consequence became increasingly rich. The feeling of a common descent and the sufferings they had experienced in common became a strong tie which united the Jews of every nation, and in their mutual intercourse awakened a confidence which added greatly to the development of suitable conditions for credit.

With this general sketch of Medieval trade, a brief discussion will now be given of the principal peoples who have contributed to this period its main characteristics.

TEST PAPER VI

1. Estimate the effects of the great barbarian invasion on the countries of Western Europe.
2. Explain the importance of the Mediterranean in medieval times, and indicate the positions of the principal ports in it at that period.
3. How was trade organized in the Middle Ages?
4. Outline the general circumstances which led to the growth of town life in Western Europe after the barbarian invasion.
5. What was the economic policy of the medieval towns?
6. Show how the Crusades stimulated the industry of Western Europe during the Middle Ages.
7. What geographical features or phenomena favoured the rise and development of such a power as the Hanseatic League in and around the Baltic basin?
8. Mention any commercial usages and institutions which are supposed to have originated in Italy.
9. Trace the influence of the Jews upon medieval trade.
10. Account for the rise and fall of the chief commercial countries of the Middle Ages.
11. Compare the medieval serf with the ancient slave and the modern agricultural labourer.
12. By what routes was trade between Europe and Asia carried on in the later Middle Ages? What commodities were imported into Western Europe from Asia, and how were they paid for?
13. What do you regard as the chief points of contrast between medieval and modern commerce?

CHAPTER II

THE EASTERN ROMAN EMPIRE

INFLUENCE OF BYZANTINE CIVILIZATION UPON WESTERN EUROPE.—In spite of the upheaval caused by the great migration of tribes over Europe, the Old Roman Empire with its achievements, was still surviving in the east during the period of the crusades. Though almost continuously assailed by hostile peoples, and weakened in its commerce and its power by the Persians, and in the seventh century A.D. by the Arabs, it still maintained a brisk trade along the routes already mentioned.

The Eastern Roman Empire was the leading monetary centre of the time, and its coins were in universal use as media of exchange. Moreover, the science and art of this Empire exerted a strong influence upon the civilization of the west.

Its Decline. However, this over-refined and unfavourable civilization could not maintain itself permanently against the invading foreign elements, and in the course of time assumed an entirely Oriental character. At the same time, the Empire lost to the merchants of foreign peoples its leading position in trade. Among the latter peoples in particular were the extremely successful Venetian and Genoese merchant-shippers, who, since the ninth century, had resumed the trading relations between Europe and the east, and, favoured by the crusades, had developed these relations on a large scale. They obtained important privileges from the Greek Emperors, and established large depôts and factories in Byzantium, and soon dominated the commercial activity of this city. They also established their own colonies and depôts on the Bosphorus and on the Black Sea, and entered into direct relations with the Asiatic markets, and thus ousted the Byzantines from nearly all their trading strongholds. At the instigation of Venice, the Greek Empire was brought to an end politically in 1204, when a Latin Empire was established in its place under the Norman leader Baldwin. In this way the southern portions of the Empire, especially the islands and coast areas of the Mediterranean, came into the possession of the Venetians.



THE ROMAN EMPIRE IN A.D. 395

In 1261, with the assistance of the Genoese, who were the competitors of the Venetians, the Latin Empire was terminated, and the Greek domination was re-established. However, it experienced great trouble in trying to ward off its numerous enemies in the north and south, and, in the year 1453, Constantinople was finally conquered by the Turks when the rule of Islam was established at the Golden Horn.

TEST PAPER VII

1. Draw a rough sketch map of the Mediterranean basin, showing the chief ports and trade routes in the age when Byzantium was at the height of its commercial prosperity.
2. Give some economic reasons for the decay of the Eastern Roman Empire.
3. Estimate the importance of the year 1453 as a dividing line in the history of commerce.
4. Estimate the importance of the Crusades in the development of medieval commerce.
5. What causes would you give for the decline and fall of the Byzantine Empire, and what do you think were the chief results of the same?
6. Assign dates to the following events—
 - (a) The invention of the compass.
 - (b) The introduction of firearms.
 - (c) The invention of printing.
 - (d) The travels and writings of Marco Polo.

CHAPTER III

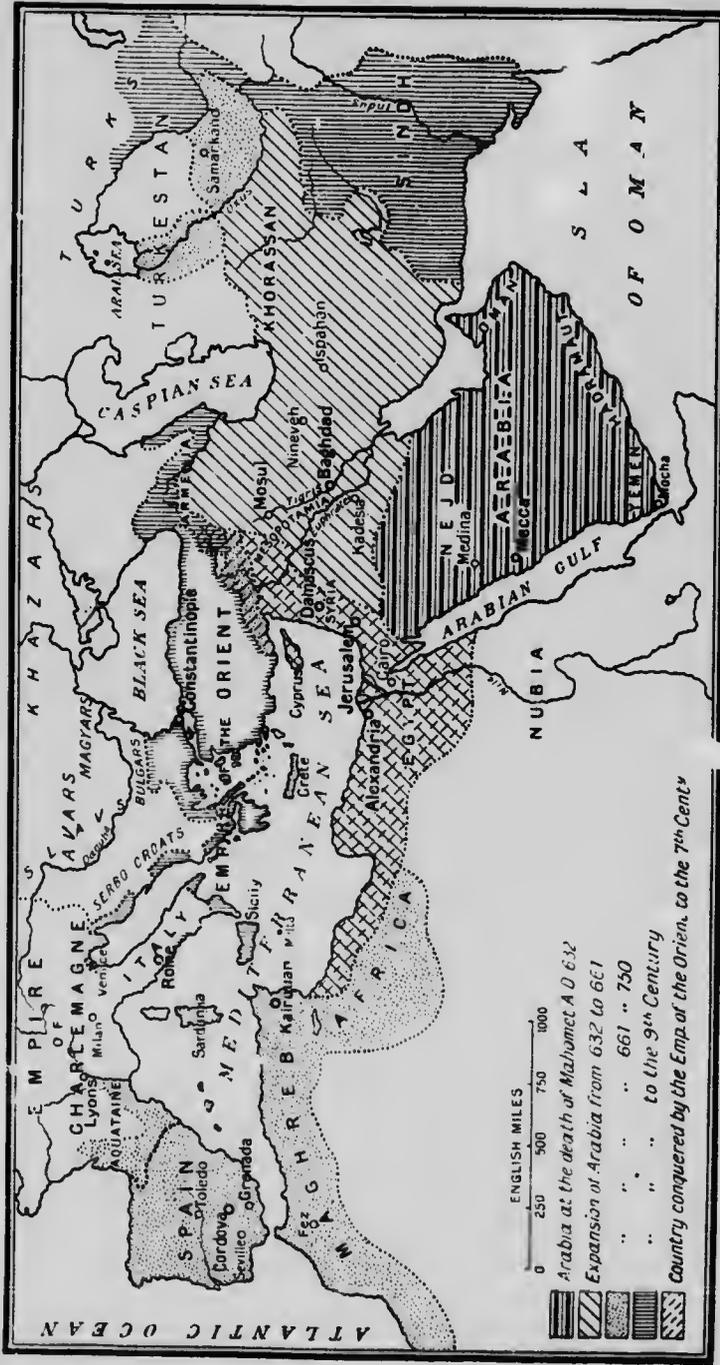
THE ARABIAN EMPIRE

EXTENT OF THE ARABIAN EMPIRE.—Since the Greek merchants in Alexandria had taken possession of Egyptian trade, the Arabs had lost touch with the west. During the seventh and the eighth centuries, however, they suddenly issued forth from the deserts of Arabia under the banner of their prophet Mahomet (or Mohammed), and, in their fanatic zeal, subjugated nearer Asia as far as Persia, the Indian Archipelago, Byzantium, Syria, and Egypt, the whole of northern Africa right up to the Atlantic Ocean, the southern part of the Pyrrean Peninsula, and the southern parts of France and Italy. Their progress was successfully opposed by Constantinople in the east and by the Franconian Empire in the west, and thus the expansion of the Arabs was brought to a standstill.

The immense Empire which the Arabs had founded arose within an incredibly short time to great prosperity. Soon, however, it split up into a number of independent Caliphates, but the community of faith and of language, united all Arabs from Spain as far as the desert of Gobi and the Himalayas.

CHARACTERISTICS OF ARABIAN CIVILIZATION.—In all these territories under Arabian rule, there flourished a peculiar civilization, similar to that of Ancient times, but far superior to that existing in the almost barbaric countries of Europe. After two centuries, in the majority of these countries and everywhere where the Koran ruled, we find great wealth, towns and commercial centres of great magnificence, a surprising mental activity and development of scientific work, and with all that a comparatively great tolerance towards foreigners. Their personal characteristics, their ability to acquire knowledge from foreigners, their industry and skill, made the Arabs important pioneers of commerce.

Influence of Mohammedanism on Commerce. Their prophet Mahomet, himself, had been a merchant, and had furthered trade by his teachings as well as by his own activity, and he had skilfully brought his religious views into consonance with the usages of



THE ARABIAN EMPIRE, SHOWING ITS EXTENSION DURING THE MIDDLE AGES

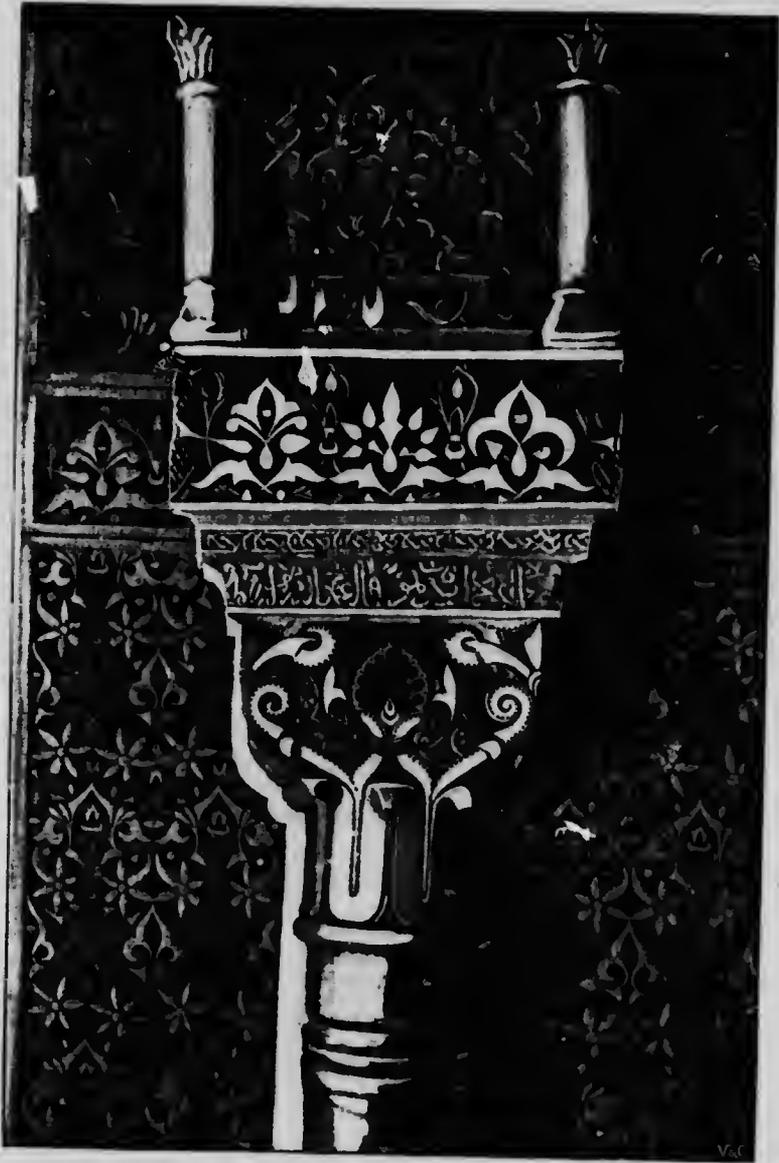
commerce. Owing to the pilgrimages to the holy places, which it was the duty of the faithful to carry out every year, great masses of pilgrims congregated in these places, which thereby became important markets. Moreover, the routes to and from these places were utilized for commercial purposes, so that the centre of the Empire became connected with the most distant provinces and secured for it a permanent market for the sale of their products. The principal places of pilgrimage were Mecca and Medina. This semi-religious and commercial system strengthened the cohesion of the Arabian Empire, and gave it the dominating position in the world's commerce. Arabian merchants were found in large numbers even outside the Islamic world, and Arabian coins, numerals, and many commercial expressions were widely adopted.

CHIEF TRADING CENTRES OF THE ARABIAN EMPIRE.—

The centre of the Arabian trade in Asia was Baghdad, the city of the Khedifs. Besides this city, the following towns were prominent on account of their commerce or manufactures: Mosel, with an important weaving industry; the new port of Basora on the Persian Gulf; Muscat, the principal station for navigation in the Persian Gulf and Indian Ocean; Mecca and Medina in Western Arabia; Damascus, in Syria, important for its arms, textiles and clothing industries; Beyrout, Jaffa, etc.

The trade with the Central Asiatic markets, as far as Bactria, was also controlled by the Arabs. This trade included the area extending from the Caspian Sea to southern Russia, where Itil, in the neighbourhood of the present-day Astrakhan, was an important centre, as well as to Bulgar where the town of Kasan now stands.

Shipping and maritime trade in the Indian Ocean once more revived, and the Arabs sailed even as far as China, and founded factories in Singapore, Malacca, and Canton, whilst on the other hand the Chinese traders penetrated as far east as Ceylon and the coast of Malabar. In Egypt, Cairo was the most important commercial city, whilst Alexandria did not regain its ancient importance in the world's trade until the greatly reduced intercourse between Europe and Egypt was revived under the Saracens. The principal commercial centres for the remaining part of Africa were Carowan, near the ancient town of Cyrene, and Fez, from which places the Arabs penetrated far into the interior of Africa.



MOORISH ARCHITECTURE

V&C

MOHAMMEDAN INFLUENCE ON SPAIN.—Spain was the country which gained most from the rule of the Mohammedans, and there Cordova was the capital of the Khedive, and a centre of Berber and Moorish civilization. Here an agricultural country was created in which, besides the indigenous species of cereals, wine and oranges, and such products as the sugar-cane, cotton, and silk were grown. In the ports, a brisk shipping trade was carried on, and a number of populous and wealthy cities with flourishing crafts, arts, and sciences grew up. In some of these cities the architecture of this period still excites admiration, as, for instance, the Alhambra in Granada. The most important commercial cities were Toledo, Granada, Cordova, and Cadiz. The principal articles of exportation were iron and steel goods (the swords of Toledo were as famous as those of Damascus), woollen, silk and other fabrics, paper, leather and manufactured goods.

DECLINE OF MOORISH POWER.—The decay of Moorish civilization was as rapid as had been its rise. The Arabs lost their power in many places, and in the remaining Caliphates, development came to a standstill or even changed into a retrograde movement. In 1258 the Caliphate of Baghdad was destroyed by the conquest of its capital by the Asiatic Mongols. In Spain, the Moors maintained their rule for seven centuries, until, with the conquest of Granada in 1492, they were expelled from this country altogether.

TEST PAPER VIII

1. What were the chief factors which led to the growth of the Arabian Empire?
2. To what extent were the Arabs pioneers of commerce?
3. Enumerate the chief centres of commerce in the Arabian Empire during the Middle Ages.
4. Say what you know of Spanish trade and civilization at the time of Arabian commercial supremacy.

CHAPTER IV

ITALY

ITALIAN PROGRESS RETARDED BY INTERNAL STRIFE.

—For five centuries after the fall of the Western Roman Empire, Italy was exposed to constant changes in her rulers and to continual warfare. During this time Ravenna was important as the residence of the Greek viceroy in Italy, and as the capital of the Eastern Gothic Empire. Even when, in 962 by the coronation of Otto I, the Western Roman Empire was united with the German Empire, the conflicts of the Emperors with the Popes, and the strife of the cities for independence and extension of their power, hindered the peaceful development of the country. In spite of all these obstacles economic conditions improved, and a number of towns developed into wealthy, well-ordered communities by means of their manufacturing and commercial activities. The lack of a strong, common Government, especially after the fall of the Hohenstauffen dynasty, led these towns to dissipate much of their strength in embittered commercial wars which they carried on among themselves, or they enfeebled themselves by civil strife sometimes ending in independent republics, and sometimes in the establishment of autocracy. Among the most important of these commercial cities were Amalfi, Pisa, Venice, Genoa, and Florence. Of these the first to fall in the wars under the growing commercial rivalry of their successful competitors were Amalfi and Pisa. The cities which were by far the most powerful were Venice and Florence, whilst Genoa, although at one time a dangerous competitor of the Venetians, had to give up the rivalry towards the end of the fourteenth century.

AMALFI.—Amalfi, at first a Duchy and afterwards a republic, possessed factories in Southern Italy and Palermo. Its vessels were sent to Egypt, Syria, and Greece, in order to establish settlements there, and it reached its greatest prosperity in the eleventh century. The maritime legal code known as the Table Amalfitaner, which was recognized in all the commercial ports of the Mediterranean, issued from the world-famous law school of

Amalfi. The use of the compass especially was spread by its mariners.

During the second half of the twelfth century, however, the town, which had been twice beaten by the people of Pisa, became limited to an intermediary trade, owing to the rise of Venice, Genoa, and Pisa, and finally fell into complete decay.

PISA.—No more fortunate was the lot of its conqueror Pisa, which had been the great competitor of Amalfi in the trade with Arabic countries. This town had been a faithful ally of the German and Greek emperors in the wars with the Saracens. Its people had fought in the Crusades, and for their services they had been rewarded with numerous privileges which enabled the town to extend its commerce not only to the Orient but also to Spain, Sicily, and Africa. It was soon outstripped, however, by the competition of the Genoese, and in the fourteenth century it lost its former importance. In the year 1406 the town fell to Florence. From Pisa emanates one of the most famous sources for the commercial and maritime law of the Roman cities—the so-called *Constitutum Usus*.

VENICE.—The greatest power among the Italian cities was attained by Venice which, in both area and population, represented the largest community. This was the leading commercial city in the trade with the Orient. She also reaped the greatest benefit from the Crusades and played the principal rôle in the trade with northern Europe. The town was founded by the Aquillians, fugitives from the invading Huns, on the islands of the Lagoon, and it grew with the settlement of other fugitives. In the year 697 Venice established a republican state with a Doge at its head. The foundation of the commercial greatness of the town was laid by the Doge Orseolo II, who was elected in 991.

The sending out of ambassadors with presents enabled him to extend commercial relations with Egypt and Syria, to which places Venetian vessels had already penetrated in the beginning of the ninth century. The highest stage of its prosperity, reached during the later Middle Ages, was due principally to the domination by the republic of the trade with the Levant and southern Europe, and its commercial relations with the cities of northern Germany, and the countries of north-western Europe, especially Flanders and England. Venetian commerce received strong support from

the strict organization of trade by the State, the aim of which was to protect every citizen against foreign competition, the acquirement of privileges for its merchants in foreign countries, and the



MAP OF ITALY IN THE MIDDLE AGES SHOWING TRADE ROUTES OF VENICE AND GENOA

maintenance of a respectable navy to safeguard Venetian trade against foreign powers, and especially against piracy on the part of the Saracens. At the same time this protection naturally entailed a large amount of tutelage, which was everywhere carried out by the officials and secret agents of the republic.

In the development of the trade of the Levant, it may plainly be observed how, step by step, the Venetian merchant presented himself, first of all, as a customer of the Byzantines, and how, as such, he was highly esteemed and favoured by them. Subsequently he turned from a customer into a competitor, who demanded privileges and who managed in the end to oust the Byzantines by political means. In her strife for the trade of the Levant, the republic found valuable support in the Crusades, from which she knew how to extract commercial advantages in a most tactful manner. Venice derived great benefit from the Fourth Crusade, whose army it directed to Constantinople in 1204, and which ended in the conquest of the town and the establishment of the Latin Empire. In this manner the trade of the Eastern Mediterranean, especially that of Greece, fell entirely into the hands of

the Venetians, who added new settlements and extended their old privileges. The whole of Morea, Epirus and Acarnania, the Ionic Islands, Candia, Cyprus, most of the Cyclades and the most important points in the Aegean Sea were ceded to her. This increase in the possessions of the republic closed up the links between their trading stations, which extended from Italy to the Near East and completed the great Levantine-Colonial Empire of Venice. In the north-east the Venetians had their most important settlements on the Black Sea, and from there they dominated the commerce of the countries bordering on it, and the most important trade routes which terminated there from Russia and the interior of Asia. At the mouth of the Don they founded Tana (now Azor), an important emporium of trade.

VENETIAN COMPETITORS.—A great and far-reaching change in the commercial conditions and in the position of Venice in the Levant was brought about by the termination of the Latin Empire and the restitution of the Greek Empire in the year 1261. Genoa and Pisa now assumed commercial leadership on the Black Sea, and it was the Genoese colony of Kaffa, in particular, which entered into successful competition with Tana.

FOREIGN TRADE OF VENICE.—In the eastern and south-eastern Mediterranean area, Venetian commerce took firm root in the Syrian coast towns and in Alexandria, where the republic maintained a settlement on the basis of treaties with the Mameluke Sultans of Egypt, and where it exchanged the articles of the Indo-Arabian trade, which came along the main route of the Mohammedan world, through the Red Sea and across the Isthmus of Suez. In addition, Venice also obtained the right, by means of treaties, to establish trading stations and to receive reductions in duties in the other principal markets of northern Africa, that is, Tripoli, Tunis, Algiers, Oran, Mogador, and Tangier, at which places the products of the dark continent were exchanged. The enterprising mercantile sense of the Venetians led them to make attempts to penetrate everywhere. Some of their journeys led into unknown areas, as in the case of the world-famous travels of Marco Polo, who, between 1275 and 1290, explored parts of Asia, and who was the first to bring information to Europeans about the wonderful peoples of Asia, especially concerning the Chinese and the Japanese.

The products of foreign lands and the manufactures of the Orient which Venice obtained in its Levantine trade, were sold together with the products of its own flourishing industries (silk, woollen, linen and cotton fabrics, arms, glass, paper, candles, ornaments, etc.), in nearly all parts of the west, especially in Upper Italy itself and across the Alps in Germany.

In the beginning, Venetian merchants alone conducted this trade, but later on German merchants took a hand in it. However, they were greatly hampered by the commercial policy of Venice. The trade of the German merchants was restricted exclusively to the aforementioned depôt and warehouse of the Germans, which had its own administration and trade, and which had to be mediated through sworn brokers. An important trade was done in salt.

Decline of Venice. From the fourteenth century onwards the Venetians began at last to make direct trips to France and England. In this trade with the north, the Republic reached the highest state of her commercial activity and for some time maintained a supreme position. Her decline began in the east. However, she managed to make good the loss which Genoese trade had inflicted upon her in the Black Sea, by waging a successful war against Genoa. Notwithstanding this, the onslaught of the Turks and the Mongols forced her to relinquish her position in the east, so that the Levant trade of Italy was brought almost to an end. In the year 1395, Tana, a Venetian settlement, was conquered and sacked by the Mongols, and, in the years 1410 and 1418, also by the Tartars; in 1453 Constantinople fell into Turkish hands; in 1516 Syria, and in 1517 Egypt, and the spread of Turkish domination in all these places again blocked the ancient trade routes to India and Central Asia. Furthermore, the sea route to India was shortly afterwards discovered and thereby a new commercial highway was opened to the world—one which avoided Italy.

Genoa. At the time of the Crusades, Genoa already conducted a lively trade, having been rewarded for her assistance in those expeditions by the grant of all sorts of privileges and commercial advantages in the conquered parts of Syria. Attempts to carry on trade in the Greek Empire and on the Black Sea led to disputes with Venice, who had to make way there for Genoa after the downfall of the Latin Empire. In this way the Genoese, in addition to the privileges formerly enjoyed by the Venetians, received as their

own the entire suburb of Constantinople, known as Galata. They became the masters of the Black Sea trade and their settlement, Kaffa, soon rose to the position of second most important commercial port on the Black Sea. Finally, continual friction with Venice led to open war, and, after three years of alternating successes, peace was proclaimed in 1331, by which Genoa lost its dominant position in the Mediterranean. Shaken by internal party strife, in the year 1396, Genoa threw herself into the arms of France and thereafter became the shuttlecock of foreign influence. With the fall of Constantinople she lost her possessions there, and gradually all her other possessions in the Levant followed suit; among them being Kaffa on the Black Sea, which was taken by the Turks in 1475. Genoa, herself, finally became the vassal of Milan, but she still preserved a certain amount of prosperity.

Florence. Florence, formerly of little importance, rose, during the twelfth century, in spite of internal conflicts, to great prosperity, by means of her woollen and silk manufactures and her dye works. At first she was dependent commercially upon Pisa, but later on acquired the port of Leghorn and thus became independent so far as an outlet to the sea is concerned; in the maritime trade, however, she was never the equal of Venice or Genoa. Moreover, in addition to trade and manufactures, the business of banking became of paramount importance in Florence. Nearly every loan in Europe was made through Florentine bankers, and many rulers had to reckon with the financial power of Florence. In 1339 this business was severely shaken by a banking crisis, brought about by the bankruptcy of Edward III of England, two of the largest banking firms, the Bardi and Peruzzi, being thereby ruined.

Later, however, Florence recovered from this disaster, and towards the end of the Middle Ages was the seat of luxury, the fine arts and fashions, the cultivation of which was made possible by the money flowing into the city's coffers.

OTHER COMMERCIAL CITIES OF ITALY.—In addition to these principal cities of Italian commerce, a number of other towns rose to some importance during the Middle Ages, as for instance, Milan, Lucca, Siena, Rome, Messina and Naples. In almost all parts of the country economic development set in, the effect of which, in regard to the outside world, was somewhat mitigated by the internal disunion between the competing towns.

TEST PAPER IX

1. Analyse carefully the position of the chief centres of medieval trade in Italy.
2. Mention any points of importance in connection with the following towns—
 - (a) Amalfi.
 - (b) Pisa.
 - (c) Florence.
3. Account for the commercial eminence of Venice in the Middle Ages, and give some description of her chief trade routes.
4. Compare the positions of London and Venice in the fifteenth century as centres of commerce, and indicate the effect of the discovery of the Cape Route to India on each city.
5. What permanent and valuable results for civilization do you trace to the Crusades?

CHAPTER V

GERMANY

SETTLEMENT OF THE GERMANIC TRIBES.—The beginnings of economic life in Germany are connected with the spread of Christianity, and the rule of the Franks in the area between the Rhine and the Elbe. This region was inhabited by the Germanic tribes—the Alamanni, the Saxons, the Thuringians, and the Bavarians—who, being very confined in their own area, expanded in an easterly direction to the adjoining Slavonic countries. With the introduction of Christianity and the Franconian or German rule, bishoprics and fortified towns were established in all newly opened up areas, and these, with their settlers, formed the basis for the development of the German town system. The settlement of the German tribes, and the Christianizing and Germanizing of the Slavonic East must be considered among the greatest successes of Germanism throughout the whole of the Middle Ages. This Slavonic area included the south-eastern Danubian countries as well as the districts to the east of the Elbe, the Oder and the Vistula, and, after centuries of colonizing work, many towns rose up in that region. This progress must be attributed chiefly to the knightly orders founded in connection with the Crusades. In the course of the thirteenth century these orders acquired Prussia, Livonia, and Esthonia for the Germans.

INFLUENCE OF TOWNS ON GERMAN TRADE.—The first traces of a more lively trade are to be found in those places where town settlements had been preserved from the time of the Romans, *i.e.*, on the Danube and the Rhine. Thus at the time of Charlemagne the towns on the waterway to Constantinople, such as Ratisbon, Passau, and Vienna, already enjoyed a remarkable trade and a certain amount of industrial activity, which made Ratisbon, for a time, the most important town in Germany. In the thirteenth century, when the trade between Italy and Germany across the Alps assumed more important dimensions, and when in consequence the most important highway of trade passed right through Germany, Ratisbon became outdistanced by other Upper-German towns

more favourably situated on this trade route. Amongst these the most important was Augsburg, the principal re-forwarding centre of the Italian-German trade and the seat of important textile and metal manufactures and a highly developed banking system. In this town gigantic fortunes were amassed by various families such as the Fuggars, the Welsers, etc., who, by the formation of companies, the organization of extensive domestic manufactures, and other similar capitalistic institutions, increased their fortunes to incredible heights. Moreover, they dominated the entire German money market and counted the Emperor and princes among their debtors. In addition to Augsburg numerous other Swabian and Franconian cities rose to some importance, especially Nuremberg, whose industrial activity was many-sided—its manufactures being chiefly hardware, jewellery, and toys; Ulm with large weaving mills; Frankfort, Würzburg, Bamberg, etc.

Already in the east, Vienna, Leipzig, and Halle were important cities, whilst in the south, at the crossing points to Italy, Zurich, Berne, Basle, and Constance were prominent.

Next came the cities on the Rhine, which formed the most favourable trade route between northern and southern Germany. Up to the middle of the fourteenth century this route possessed great importance as the direct transit trade route between the Netherlands and Venice. It followed the entire course of the river and then crossed the Alps and branched to Genoa and Venice. However, the rights of *dépôt* of certain towns, the imperial customs, and the exactions of robber knights were very detrimental to this trade. The largest commercial cities on the Rhine were Strassburg, Worms, Mayence, and, most important of all, Cologne. Assisted by her right of *dépôt*, Cologne dominated or ruled the trade on the Upper Rhine in both directions, and at the same time, as one of the members of the Hanseatic League, she had important trading relations with the north and north-east, relations which the other German towns on the Rhine did not possess.

Furthermore, as the city was the junction of important roads dating in part from the Roman period, she soon rose to one of the most powerful municipalities in Europe. The circle of German towns was completed by the trading centres on the North Sea and the Baltic and those in the interior of Germany belonging to the Hanseatic League.

City Confederations in Medieval Germany. Even at an early period the merchants of Lower Saxony became the middlemen of the trade between the Baltic and the North Sea areas and the interior of Germany. In the course of time there developed from this a large independent trading area in the north of Europe. The first town coming into importance in this respect was Schleswig, but very soon she was pushed into the background by Hamburg, Bremen, and especially Lübeck. In the twelfth century a German settlement had already been established at Wisby, on the island of Gothland, and this town soon became the chief centre of the Baltic trade. The Germans, having a share in the trade of Wisby, formed a gild known as the "Association of German Merchants." This gild entered into contracts as far back as the year 1229, and even assumed the legislative functions in regard to rights of salvage and of jettison as early as 1327.

In conjunction with similar associations of Germans in London and Bruges, this gild led to the establishment of the later German Hanseatic League, and the alliances which were formed by towns of various districts for different purposes also worked in the same direction. Thus, in the year 1254, a league of Rhenish cities had been formed, the objects of which were to safeguard the trade routes, to suppress the robber knights, to protect the roads against excessive duties on goods, etc., at the same time following political aims. In the year 1376 the Swabian towns had formed a league for the purpose of protecting their liberty against the knights and princes. The common interests of the North German towns also induced them to form a league, but, in contrast with the Rhenish and Swabian leagues, they abstained from pursuing purely political aims, and merely protected their commercial interests. A league of this description was formed in the year 1241 by Lübeck and Hamburg. Another important league was that of the five so-called Wendian towns—Lübeck, Rostock, Wismar, Strahlsund, and Griefswald. The leading town in all these endeavours was Lübeck, which aimed at the establishment of a union of all German towns. As the leader of the Wendian League, it had already been entrusted with the representation abroad of the common interests, and later on became the leader of the great Hanseatic League. The latter was gradually formed during the thirteenth and fourteenth centuries by more and more towns joining the

Wendian League. In the year 1367 the Hansa received a common organization, the terms of which were fixed in the town hall of Cologne.

ORGANIZATION AND POWER OF THE HANSEATIC LEAGUE.

—At this first meeting, seventy-seven towns decided upon a war against Waldemar IV of Denmark who, in 1361, had besieged and sacked Wisby. A mighty Hanseatic fleet was fitted out and the war was carried through with such success that, at its conclusion in 1370, the League obtained important new privileges; furthermore, they decided that no person should be regarded as the lawful Danish King unless he had received the sanction of the League, and had confirmed its rights and prerogatives. In this manner the Hanseatic League established its rule in the Baltic, where it retained a trade monopoly for more than a century. At the time of its greatest prosperity more than ninety towns belonged to it, embracing all the largest German ports and many towns in the interior of Germany. In the beginning it was divided into three areas: the Lübeck-Wendian area, with Lübeck as the centre; the Westphalian area with Cologne; and the Gothlandic area with Danzig as the centre. Later on, these were joined by a fourth area, viz., the Saxonian, with Brunswick as centre. The constitution of the League always remained rather loose; every town belonging to it reserved to itself the right of freedom of action; and all the wars which the league carried on against Danes, Norwegians, English and the Dutch, and all other actions, always proceeded from those towns whose particular interests were involved. Thus the organization of the Hanseatic League was not calculated to obtain great successes abroad by a powerful policy. Nevertheless many successes were won, and these were due to the fact that the northern countries were politically still weak, or economically too little developed, or, like England, they were torn by conflicts both at home and abroad. As soon as they became strong, even to a small extent, the Hanseatic League could no longer confront them, since it lacked the necessary power. Nevertheless, for a long time, the League exercised a very beneficial influence in favour of Germany's trade and navigation, making the country the centre of the northern trade, and, by exterminating piracy and adopting other measures for safeguarding trade, it did a lot for the welfare of German towns during a period which, in consequence of the



Interregnum and the decline of Imperial power, was a very unfortunate one for the country.

EXTERNAL RELATIONS OF THE HANSEATIC LEAGUE.—

The foreign trade relations of the Hanseatic towns—which trade was partly maritime and partly land—extended to Poland, Denmark, Sweden, Norway, England, and the Low Countries, and to the countries of southern Europe. The greatest importance for the north European commercial domination of the Hanseatic League is to be attributed to its relations with Russia, where, in the twelfth century, the Gothlanders had established a settlement in Novgorod, and where branch settlements were established in Smolensk, and in Kovno. At that time Novgorod was nominally ruled by an elected prince (the elector). In reality, however, it was a Republic, which, in the east and in the north, reached as far as the Ural^s and the White Sea. Here the Hansa obtained the valuable natural products of the country, especially the precious furs, skins, wax, tallow, grain, etc., in exchange for which they gave such products as German linen, woollen and metal goods, wine, beer, and salt.

The trade between Germany and Poland and Lithuania, was carried on principally via Danzig, Thorn, and Kulm, chiefly along the Vistula. Until the thirteenth century, the trade with Sweden was dominated by the merchants of Wisby, after which period it was taken over by the Baltic towns, especially Lübeck, which possessed copper mines there. In the Swedish towns, as early as 1251, the Germans had the right to appoint half the magistrates. The chief articles of export from Sweden were iron, copper, wood, and fish.

In Denmark, the Hanseatic trade centred in Schonen in Southern Sweden, which then belonged to Denmark, and here the principal article of trade was the herring. The Dutch and the Germans were allowed to fish in these waters. Moreover, the Germans possessed such important privileges here that they may be said to have formed, so to speak, a state within a state.

Still more important for the trade of the Hansa was Norway, whose centre was Bergen, with its world-famed office. Here Lübeck and Hamburg had already acquired privileges, and later on, after the Hansa had overcome the competition of the English and the Scotch, the Germans came into possession of a whole quarter of Bergen, in which probably 3,000 German merchants,

shippers, and craftsmen dwelt. At this place as in all other ports of Norway, the Hansa ruled the whole of the trade, although for a long time the kings of Norway had tried to shake them off. The imports of the Hansa into this thinly populated country consisted of food-stuffs and the products of German manufactures, while fish, timber for shipbuilding, skins, resin, etc., were exported.

In England the Merchants of Cologne had a trading settlement in the Guildhall of London as early as the eleventh century, and subsequently merchants of Lübeck, Hamburg and Gothland also



THE STEELYARD IN LONDON

settled there, until the Association of German Merchants in the thirteenth century united the citizens of the various cities into one association combining their various privileges. During the existence of the Hansa, the great German settlement in the Steelyard grew out of the Guildhall which the union of merchants established in London. The Steelyard was a conglomeration of buildings on the Thames which used to enjoy a very far-reaching administration of its own.

In addition, the Hanseatic merchants enjoyed manifold privileges, and were favoured by the kings even in preference to

Englishmen, seeing that the customs duties which were levied on the foreign goods formed a considerable source of revenue and also owing to the fact that the kings held the financial power of the Hanseatic League in high esteem. On one occasion Edward III went so far as to pledge the crown of his Queen with these German merchants.

However, with the growth of manufactures and commerce in the English towns, efforts were made to shake off the commercial domination of these foreigners and to deprive them of their privileges. Many rulers took measures to raise the state of the woollen industry and other commercial activities. English companies obtained the monopoly of exporting English staple articles such as raw wool and cloth, and they endeavoured to get control of the intermediary trade, the most important of these companies being that of the Merchant Adventurers.

Time after time the Hanse merchants warded off the thrusts of their opponents. At various times they excluded the English merchants from all markets which the latter had hitherto frequented; they carried on maritime warfare against England from 1472-1474, and at its conclusion they obtained by the Peace of Utrecht the further confirmation of all their former privileges. The trade between the Netherlands and northern Europe was likewise to a large extent in the hands of the Hanseatic merchants. This trade included the raw materials of the northern countries, as well as the fine products of the highly developed Flemish and northern French industries; also the supply of food-stuffs to the populous Flemish towns and the exportation of many Flemish articles to southern Europe. In the Netherlands, too, the Hansa obtained various privileges, and in Bruges they possessed a large independent factory, but, generally speaking, they were not favoured to such a large extent, and only enjoyed certain advantages in common with other foreigners. Their prominent position was due more to the superiority of their ability as merchants. The relations of the Hansa with the south of Europe only dates from the second half of the fifteenth century, their trade being conducted chiefly with France, Spain, and Portugal. At the same time, the Hansa had, of course, an exceedingly brisk trade with the interior of Germany.

DECLINE OF THE HANSEATIC LEAGUE.—The power of the Hanseatic League declined when, as already mentioned, the

northern states had mastered their external and internal disputes and had become so strong economically and politically, that the Hansa was no longer their superior. Thus, in 1386 Poland and Lithuania became unified, and threatened the administration of the German Orders. In 1397 the Scandinavian countries formed the Kalmarian Union. In 1453 England ended its Hundred Years' War with France and, like the Netherlands, began to compete with the Hansa, especially in the fishing trade of the North Sea. In Russia the ground was taken from underneath the feet of the Hansa by the annexation of Novgorod in 1478, and the closing of its yard in 1494. Moreover, internal disputes between the various towns of the Hansa supervened and weakened the League. Furthermore, the power of the princes increased, and in consequence many of the towns which had formerly enjoyed complete independence as free cities, now lost their privileges. Finally, when the period of Discovery led to the opening up of new countries and of new trade routes, the decline of the Hansa, which had been in progress for a long time, became complete. In the year 1598 the League lost all its privileges in England and in 1669 the last Hansa meeting took place.

CONTRAST BETWEEN NORTHERN AND SOUTHERN GERMANY.—As already mentioned, the towns of Upper Germany and Lower Saxony experienced a remarkable development, whilst elsewhere in the German Empire a sad state of affairs prevailed. Both these areas progressed municipally and economically, yet they remained entire strangers to each other.

Throughout the whole of the Middle Ages they manifested a whole series of contrasts to each other which were accounted for in part by the different racial characteristics of the tribes in the north and in the south of their Empire, partly by the difference in the political development of the two regions, and also by the different commercial interests of each area. The northern half of Germany had to rely for its trade principally on the North Sea and the Baltic, into which the large German rivers found their outlet, whilst the southern half inclined in its commercial interest towards Italy, southern France, and Spain. In this way the south German merchant was drawn into a commercial sphere which was his superior, and in which he could not gain any considerable influence. On the other hand, the north German merchant entered

into an area which was still in a very backward state and which he could easily bring under his commercial domination.

Owing to the relations with countries of an older civilization in the south, and with a younger civilization in the north, the principal commodities of these two areas manifested great differences (in the north—raw materials, in the south—manufactured goods), as also in the case of the media of exchange, silver being used more in the north, and gold in the south. The union of the north and the south of Germany into a commercial zollverein was left for a later epoch.

TEST PAPER X

1. Indicate on a sketch map of Central Europe the position of the following towns of importance in medieval commerce—

Ratisbon, Augsburg, Nuremberg, Frankfort, Genoa, and Venice.

2. Locate Wisby and account for its importance during the Middle Ages.

3. Explain the formation of the Hansa League, and give some account of its activities.

4. What were the Hanse towns? Describe the commercial relations between England and the Hanse towns up to the close of the fifteenth century.

5. Give the principal lines of communications across the Alps, indicating the cities or districts that they linked together. Point out those passes which were most used in medieval times.

CHAPTER VI

ENGLAND

IN many ways the whole of this period was a time of transition in the economic condition of the English people. It witnessed the rise and decline of the old manorial system and the growth of a labouring class without land of their own, and subsisting almost entirely upon money wages, and the gradual change of the landlord from a large cultivator to a mere receiver of rent.

At the same time the isolation of the old manorial villages began to become less marked, and internal trade increased, especially in connection with the great fairs. Towards the end of the period industry had become specialized in towns and later in industrial villages, and a noticeable growth of town population took place.

In this chapter mention will only be made of those great landmarks upon which the commerce of this period materially hinges.

2 **THE MANORIAL SYSTEM.**—In Anglo-Saxon times and for many centuries later, England was divided up into a number of village communities or "manors." The land in the manor was usually divided into—

(1) *Demesne, i.e.*, the land belonging to the lord of the manor, and containing about one-third of the whole manor; and

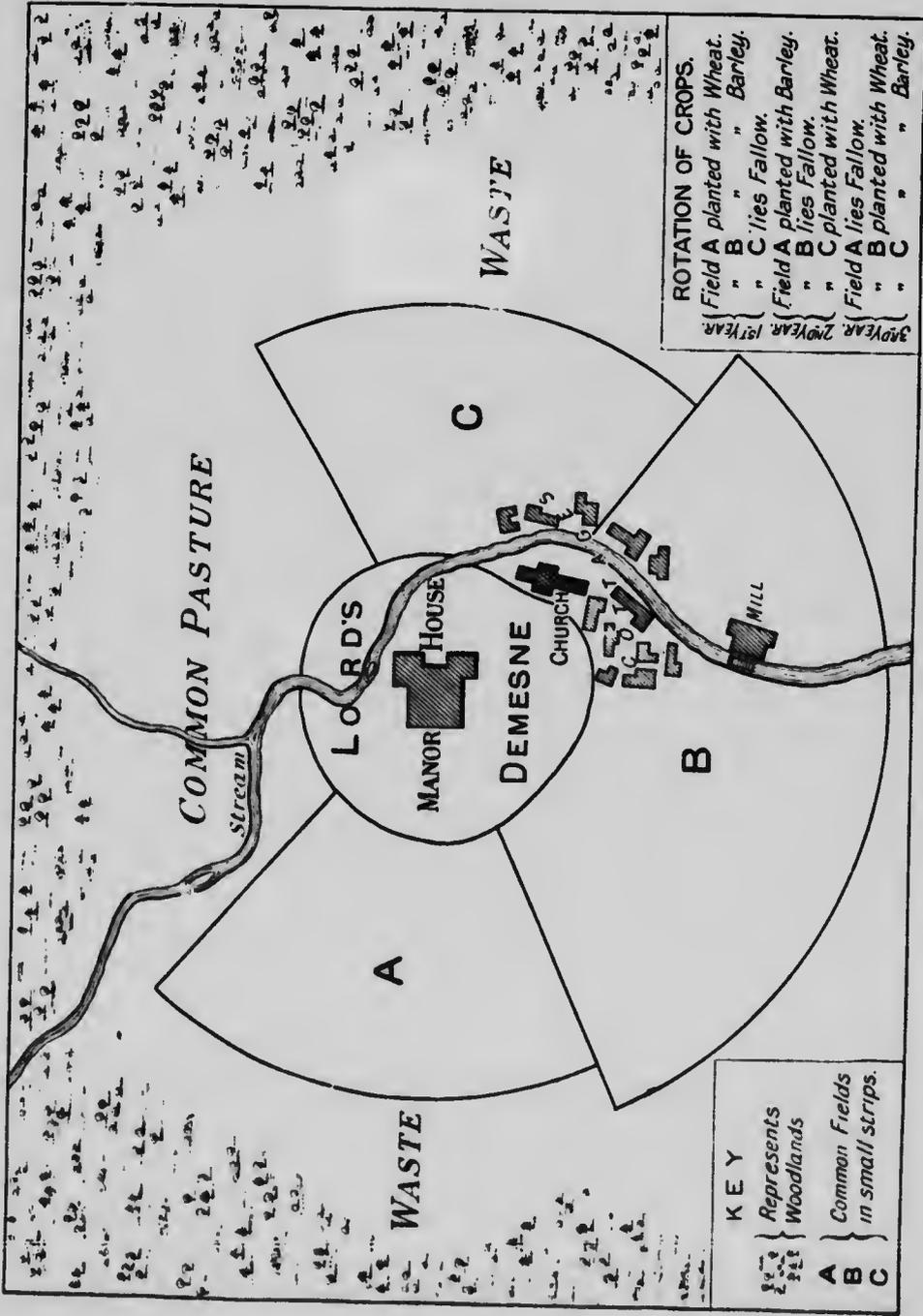
(2) *Villeinage, i.e.*, the land which belonged to the villeins on condition of their rendering certain services in agricultural work to their lord. This usually amounted to about two-thirds or so of the total land of the manor.

The inhabitants of the manor were divided into three classes, viz.—

(1) The villeins, who formed 38 per cent. of the whole population in the time of Domesday Book, and held their lands generally in "virgates," which comprised—

(2) The cottars who held only a cottage and a small strip of land, and did not even possess a plough, much less a team of oxen, but had to combine for this purpose. They formed about 32 per cent. of the Domesday population.

(3) The serfs who merged into the cottars less than a century



after the Norman Conquest. At the time of the Conquest there were not more than 9 per cent. of the population as an average for all England.

The arable land in a manorial village was divided into three fields (see diagram, page 99), and the villeins held strips of land in each field. In the first year, field A was cultivated with wheat, B with barley, and C was left fallow; next year C was cultivated with wheat, A with barley, and B was fallow; and the third year B was cultivated with wheat, C with barley, and A was fallow.

At the time of Domesday Survey in 1086 the population of England numbered about 2,000,000, three-fourths of whom lived by agricultural labour, the remaining fourth being town's-folk, gentry, and churchmen. The east and south, especially the county of Kent, were the best tilled, richest and most populous parts of the country. The chief towns were London, Bristol, Norwich, Lincoln, Oxford, York, Exeter, and Winchester; but these were trading centres rather than seats of manufacture. There were more than 9,000 manorial villages in the land, in each of which about three-fifths was waste, *i.e.*, untilled common land, one-fifth pasture, and one-fifth arable.

The manorial system lasted with but small change up to the year 1300, after which changes began to operate which gradually brought about its decay. The chief of these were—

4 (1) The increasing use of money in estimating the value of labour services, and in the payment of taxes (*e.g.*, scutage).

(2) The Crusades, by bringing into contact north, south, and east, awakened new desires, and in this way production and transport were furthered and the area of the market widened beyond the manor.

(3) The ravages caused by the Black Death (1348-9) produced a great scarcity of labour, and considerably raised money wages. At first attempts were made to limit these by Statute, and the lords made every effort to exact their feudal rights. This caused much discontent and culminated in the Peasants' Revolt of 1381.

(4) The growth of sheep-farming led to the enclosure of land for use as sheep-runs. People were thus turned off the land and were compelled to resort to the towns.

In short, the manorial system may be said to have declined mainly

owing to the growth of the wool-trade and the increasing use of money, and these in turn precipitated the rise of town life, which gradually became regulated by the guilds.

THE GILDS.—In a little more than a century from the time of the Norman Conquest, many of the towns which were hitherto mere trading places had grown into industrial centres. This is evident from the formation of guilds. In the Middle Age organization of industry there was no distinction, as there is now, between employer and employed. The towns were organized on the basis of what is called the "Gilds-merchant." These gilds-merchant tried to regulate the trade of the town as follows—

(1) No one, except members, could sell any article without paying heavy tolls and fees.

(2) Members could sell freely.

(3) The gild would protect their interests.

(4) The gild acted as a kind of friendly society and gave sick and funeral benefits.

(5) Smiths, carpenters, masons, etc., were prohibited from raising prices or lowering the quality of the goods.

(6) The gild tried to make the workers of one trade live in the same street so that it would be difficult to sell at different prices and qualities: for example, Sadlergate (the saddler's street), Bridlesmith Gate (where the makers of bridles lived), Wheelergate (where the makers of wheels lived), and so on. The leaders of the gilds-merchant represented the town when traders came from other towns. These gilds-merchant were dealers rather than makers, and in order to belong to the gilds-merchant it was necessary either to pay heavy entrance fees or to hold land within the confines of the city. At first, the gilds-merchant admitted artificers as members, but when it became rich it began to exclude the artificers from its organizations. The artificers, having seen the great advantages result from organization, began to organize themselves into craft-gilds. Towards the end of the thirteenth century the term "craft-gild" is used, and not "gild-craft," thus indicating that the English people were becoming more united. The craft-gild was the association of masters in a particular craft, and they came into conflict with the gilds-merchant, to the detriment of the latter, which gradually disappeared. The craft-gilds, however, began to commit exactly the same errors as had been the case with

the gilds-merchant, *i.e.*, they became exclusive. Each craft had its own gild, the objects of which were—

- (1) To regulate buying and selling among its members.
- (2) To fix prices and qualities.
- (3) To act as a friendly and benefit society to its members, *e.g.*, goldsmiths, coppersmiths, tailors, hosiers, and clothiers.



COAT OF ARMS OF THE GILD OF THE SILKMEN

MANUFACTURES AND COMMERCE. — Throughout the Middle Ages England stood in a very backward condition economically, its only product of importance being wool. Manufactures and commerce still remained dormant. Foreigners catered for the wants of the wealthy by supplying manufactured articles and luxuries, and likewise they exported the few products of the country.

During the reign of Edward III, that is, in the first half of the fourteenth century, greater activity began to be manifested in consequence of the immigration of textile workers from Flanders,

so that progress was made in the manufacture of wool. Linen-weaving became an independent industry, and the first beginnings were also made in the manufacture of silk. It is apparent from the prohibition in the year 1354 of the export of home-manufactured iron goods that English metal workers already found a market abroad. At the same time it is worth noticing that the coal-mines in the vicinity of Newcastle were being worked at this early period.

These were the small beginnings from which, centuries later, the premier industrial power of the world was to take its rise. In all probability no one ever dreamed at that period of the brilliant rôle which this country was destined to play. In 1354 the total exports amounted to £300,000, of which £280,000 at the most was confined to one article—viz., wool.

The foreign trade was entirely in the hands of foreigners who usually took up a fixed residence in London and had obtained all sorts of privileges. Members of the Hanseatic League, Italians, Dutchmen, Spaniards, Portuguese, French, Norwegians, and Danes brought the products of every clime and country to London, where they were exchanged.

At last, in the course of the fifteenth century, English merchants began to participate in the import and export trade. The trading companies of Thomas à Becket, Merchants of the Staple, and Merchant Adventurers, endeavoured to get the export of raw wool, and especially woollen goods, into their hands, and during the last decades of the fifteenth century they had already succeeded in depriving the Hansa of a large portion of the trade with Flanders.

TEST PAPER XI

1. It is usual to begin the study of English economic history with an account of the Medieval Manor. Why is this worth while for students interested in present-day problems?
2. Briefly describe the Manorial System of England at the time of the Domesday Survey in 1086.
3. Examine the social and economic results of the Black Death.
4. Account for the decline of the Manorial System in England.
5. "In the fourteenth century the whole of the external and much of the internal trade of England was in the hands of foreigners." Explain this statement. Trace the steps by which the English acquired control of their own trade.

CHAPTER VII

OTHER COUNTRIES

IN addition to the countries already discussed, mention may also be made of France, Spain, Portugal, the Netherlands, and the Scandinavian countries, which were rising into commercial importance.

FRANCE.—It was not until the end of the Middle Ages that *France* became an economic and political unit, for up to the middle of the fifteenth century important portions of the north-west belonged to England. Internal conflicts and foreign wars (especially the Hundred Years' War with England, 1339-1453), for a long time delayed economic development. In the foreign trade *Marseilles* (the ancient *Massilia*) was the first to regain importance, namely, by entering simultaneously with the Italian cities, into trading relations with the Orient, and enjoyed a great increase in this trade during the Crusades by undertaking the transport of the French Crusaders and pilgrims. Besides *Marseilles*, *Montpellier*, *Aigues Mortes*, *Narbonne* and *Avignon* were important commercial towns in southern France. On the Atlantic coast *Bordeaux* held a prominent position as a commercial city and carried on a very extensive trade—chiefly with England, the principal articles of exchange being wool and French wine. In the interior of France numerous places came into prominence on account of their markets and fairs, especially along the commercial highways between northern and southern Europe. Amongst them may be noticed *Troyes*, *Provence*, *Paris*, *Lyons*, and *Besançon*.

SPAIN.—In the Christian part of *Spain*, which, at the expense of the Moorish Empire, expanded more and more towards the south, trade and navigation developed first amongst the Catalonians, who at various times came into contact with the Moors. Here the capital, *Barcelona*, experienced a remarkable development, and carried on trade with Italy, northern Africa, and the Levant. It took away the principal portion of the Moorish export trade and was in possession of the most progressive trading institutions—a well-known bank, an exchange, a body of underwriters, and a

well-ordered system of law relating to the maritime transactions and bills of exchange. The town also permitted foreign merchants to settle there, the consequences being that at the beginning of the fifteenth century a number of German commercial houses were established there.

PORTUGAL.—*Portugal*, where Lisbon had risen into the position of the principal commercial centre, was engaged chiefly in navigation and maritime trade. Amongst the people who, in the Middle Ages, had already ventured into the open waters of the Atlantic Ocean, the Portuguese, largely supported by the King, Henry the Navigator (1394-1460), stand in the first place, and were very successful in their voyages of discovery along the west coasts of Africa.

THE NETHERLANDS.—The *Netherlands*, *i.e.*, the region including Flanders, Zealand, Holland, and the neighbouring districts of Brabant, progressed during the Middle Ages in consequence of their textile manufactures, and at a later date other forms of industry (*e.g.*, metal manufactures) became important. They also conducted an important trade, which was furthered by the direct voyages of the Italians to northern Europe in the fourteenth century. Until the end of the fifteenth century the principal centre was Bruges which, however, soon lost its dominant position in favour of Antwerp, which was more conveniently situated. The connection between the Netherlands and the German Empire was nearly always of a very loose character and only a few of the less important towns in the Netherlands joined the Hanseatic League. During this period, *England* and the *Scandinavian countries* held only subordinate positions, a fact which has already been seen from the history of the Hanseatic League.

TEST PAPER XII

1. Arrange the six leading countries of the Middle Ages, according to their relative commercial importance.
2. Account for the comparatively late economic development of France.
3. Say what you know of Spanish commerce during the Middle Ages.
4. Locate the position of the following towns, and account for their early importance as commercial centres—
Marstilles, Barcelona, Lisbon, Bruges, and Antwerp.

SECTION III

PERIOD OF GEOGRAPHICAL DISCOVERY AND INVENTION

FROM THE SACKING OF CONSTANTINOPLE BY THE TURKS
IN A.D. 1453 TO THE CONGRESS OF VIENNA IN A.D. 1815

CHAPTER I GENERAL SURVEY

THE DAWN OF A NEW ERA.—Towards the end of the Middle Ages there gradually developed from within, the dawn of a new era, whilst from without the revolutionary effects of the great geographical discoveries made themselves felt throughout the whole world. Amongst the rising nations new forces had become active, which called forth innovations of increasing importance in the domains of science, technique, religion and politics, as well as in economic and social life, and one could observe the efforts which were being made to shake off the fetters of the Middle Ages. The many enlightening ideas, important inventions and other signs of progress were preparing the way for a period of development during which humanity was to advance a greater distance than in all former periods of history.

It is ludicrous to mark off definitely the ending of one age and the beginning of another by certain dates, for one period only gradually evolves into that of another. So it was with the development of medieval into modern history. Some writers give 1453 as the date of the beginning of a new era, since it marks the Fall of Constantinople and the termination of the Hundred Years' War with France. Others give 1492—the year in which Columbus discovered America. It is a remarkable fact, however, that the period from 1453 to 1517 was marked by enormous changes in almost every sphere of activity, and may be regarded as a time of

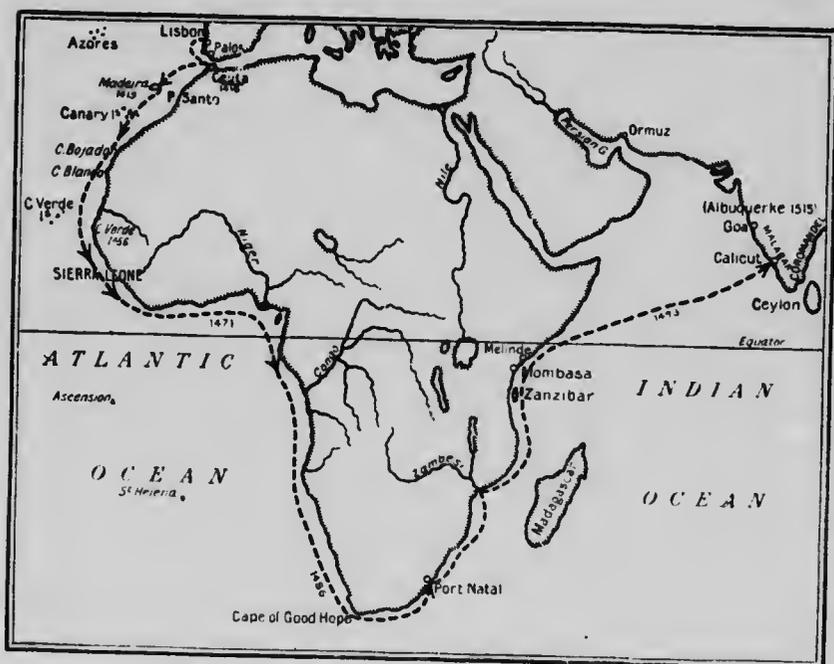
transition when Europe threw off the medieval type and adopted the modern type of civilization.

THE SEARCH FOR THE SEA ROUTE TO INDIA.—Out of this newly awakened spirit there originated the bold voyages of discovery which opened up new routes to trade and a new world. Already the records of the two preceding epochs tell of far-distant voyages of the Phoenicians beyond the confines of the Mediterranean; of the voyages of trade undertaken by the Arabs to the African, Indian, and east Asiatic coasts; of the audacious trips of the Normans by way of Greenland to the east coast of North America; of the voyages of the Venetian, Marco Polo, and others into the interior of Asia; of the discovery of the island of Madeira, the Canaries, and the Azores by Italian navigators, etc. However, these discoveries were only sporadic phenomena which were not followed up systematically, and which had no determining influence upon the world's commerce.

The proper era of discovery only began in the fifteenth century, when the endeavours to extend geographical knowledge and the search for new and profitable trade routes became more general and when navigation had advanced sufficiently to enable human beings to navigate the open sea. The guiding idea was the search for the sea route to India, concerning which fabulous tales reached the west, although connection with that country had been greatly hampered by the spread of Turkish domination towards the end of the Middle Ages. In all directions this direct route to India had been sought—to the south of Africa, to the south and north of America, and to the north of Asia.

PORTUGUESE DISCOVERIES.—The enterprises of exploration and discovery began with the Portuguese, when Prince Henry the Navigator, instigated by geographical studies and the astronomical research of Martin Behem, a citizen of Nuremberg, sent out ships for the exploration of the west coast of Africa in 1415. In that year the Portuguese took Ceuta, and in 1419 Porto Santo and Madeira (sugar and wine plantations); then, in 1455, they risked the stormy journey round Cape Bojador and along the sandy coast to Cape Verde, where, in spite of the increasing warmth, they found luxuriant vegetation and curly-haired negroes. The gold dust on the coast of Sierra Leone excited them to travel further. The death of Henry the Navigator (1460), however, caused a brief pause

in the discoveries, but the work was continued by other Portuguese. In 1471 they crossed without loss the dreaded equator, and, finally in 1486, Bartholomew Diaz rounded the southern point of Africa, which was named by him the Cape of Storms; but was afterwards altered by his King into the Cape of Good Hope. For a time the attempts of the Portuguese slackened down, but were soon taken up again, when, in 1492, the incredible news spread that a Spanish squadron commander, the Genoese Christopher Columbus, had



THE CAPE ROUTE TO INDIA

sailed in a westerly direction straight across the ocean and had thus reached India. This Spanish success incited the Portuguese to renewed efforts; they sent out Vasco da Gama in 1497, who sailed round the southern promontory along the east coast of the continent as far as Melinde, and thence, guided by an Arabian pilot, by long known Arabian routes, he arrived in the port of Calicut, on the Malabar coast, on the 20th May, 1498.

Thus the sea route to India had at last been discovered. As early as the year 1500 Portugal had obtained from the native

princes the rights of settlement and of trade. Under Admiral Almeida and the Viceroy Albuquerque the Portuguese obtained a permanent footing in India and penetrated still farther towards the east to China and Japan. In 1515 they already possessed nearly the whole of the Malabar coast, a portion of the Coromandel coast, the more important ports and islands of the Persian Gulf, the greater portion of Malacca, Ceylon, the Sunda Islands, the Moluccas, and later on the Emperor of China handed over to them Macao, near Canton, a port which they still possess.



DISCOVERY OF AMERICA

SPANISH DISCOVERIES.—When, by order of Queen Isabella of Spain, Columbus searched for the south-western sea-route to India, he discovered America after a nine weeks' voyage across the Atlantic Ocean. He landed there, as the first European, on the 12th October, 1492, on the small island of Guanahani. On this journey he discovered the Greater Antilles, and on his second voyage the Lesser Antilles and Jamaica. In 1498 he undertook his third voyage by which he reached the mouth of the Orinoco, and on

his fourth and last voyage he discovered the mainland of Central America. In spite of his repeated voyages he remained under the impression that he had found India, and he retained this idea—to which the name West Indies is due—until he died. Not until 1513, after Balboa had discovered the South Sea, was it known with certainty that an entirely new continent had been discovered, and further important knowledge was derived from the circumnavigation of the earth by the Portuguese Magellan, who in 1520 sailed round the southern point of America, through the straits, which bear his name, to the Philippine and Spice Islands which were already known to the Portuguese from their expeditions issuing from India. In 1512 the Spaniards, also, had discovered the North American Continent at the coast of Florida; in 1519 Fernando Cortez had reached Mexico and Yucatan and had subjugated the country. These Spanish discoveries quickly developed into sanguinary conquests. In 1524 began the enterprises of the Spaniards—Pizarro and Almagre, against Quito, Peru, and Chili, likewise ending in the subjugation of these countries under the Spanish rule. Long before this, however, other nations had also begun to take an active part in the discoveries in the New World. In the year 1497 the Englishman Cabot had discovered the Continent of North America as far as the Hudson's Bay. In 1500 the Portuguese Cabral had discovered Brazil by accident, having been driven to the South American coast on his way to India.

ENGLISH AND DUTCH DISCOVERIES.—The enterprises of many seafaring peoples, especially of the English and the Dutch, had for their object the finding of an alternative sea route to India in a north-easterly or north-westerly direction. Thus in 1553 Englishmen sailed round the North Cape and opened up in Archangel important commercial relations with Russia. The Dutch penetrated as far as Spitzbergen.

Davis, Hudson, Baffin, and other Englishmen made important discoveries in North America, their memory being perpetuated by the naming of the areas they discovered. However, a useful route has not yet been discovered to the north of the great continental land-masses. In the south the continuation of the explorations was undertaken later on by the Dutch, English, French, Danes, etc., whilst the interest of the Portuguese, as well as that of the Spaniards, soon slackened, seeing that in general they only

penetrated into those regions in which they had prospects of finding gold. In the years 1577 to 1580 the second circumnavigation of the earth was carried out by Francis Drake, and in the seventeenth century the discovery of the Australian continent as well as the islands of the Pacific Ocean was begun by the Dutch and the English.

BEGINNINGS OF MODERN COLONIAL ACTIVITY.—These overies—to which, as a particularly important event, may be added the opening up of Siberia—unveiled to the peoples of the Old World within a comparatively short time the most important parts of the New World. A sphere for the most remarkable activity was thus found and competition for its commercial and colonizing exploitation began. The principal share in this work was taken by the Portuguese and the Spaniards, who were followed by the Dutch, the English, and also the French.

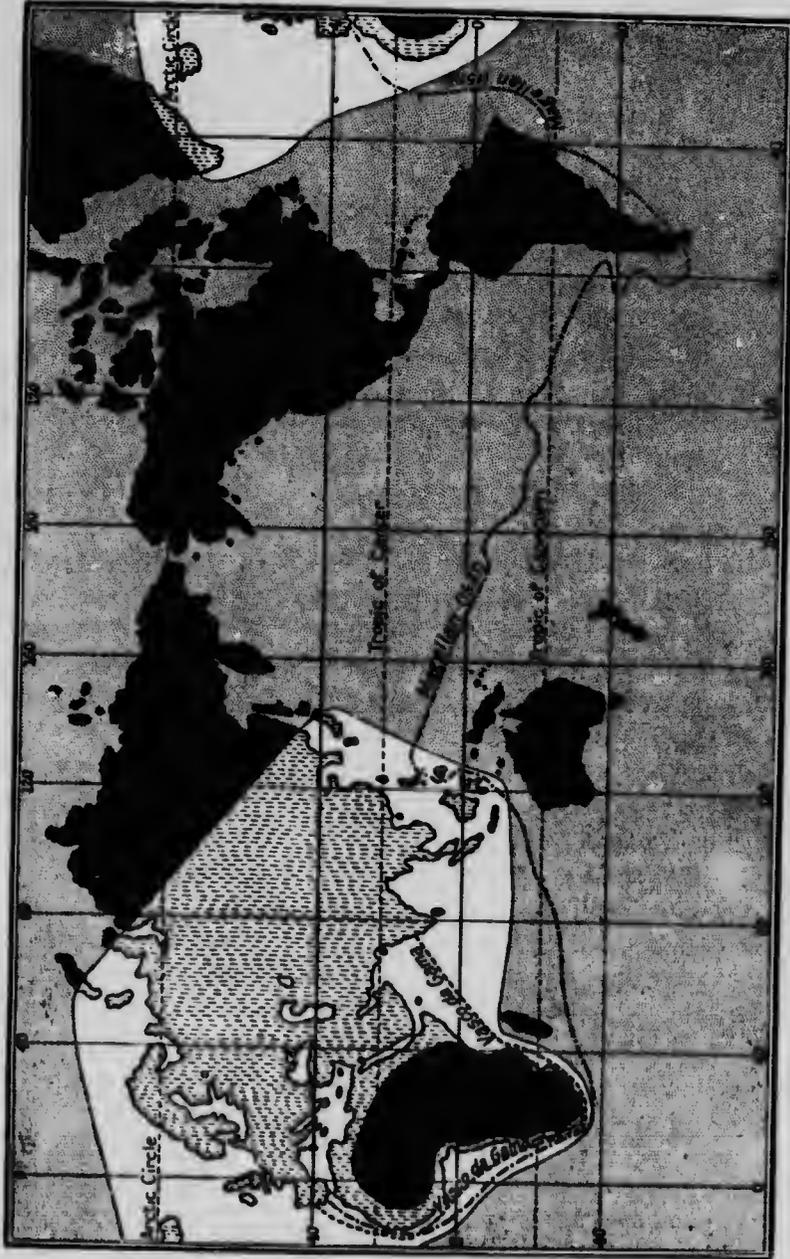
COLONIAL POLICY OF SPAIN AND PORTUGAL.—As the first discoverers, the Portuguese and the Spaniards, in accordance with



MAGELLAN'S SHIP, "VICTORIA"

the prevailing commercial policy of the Middle Ages, immediately endeavoured to obtain rights of monopoly in the newly discovered areas and to exclude other nations from participation in maritime trade. At the request of Spain, in 1493, Pope Alexander VI divided the earth by the Meridian 100° west of the Azores

and Cape Verde Islands into two equal parts, conferring all the new lands to the west of this line upon the Spaniards and those to the east upon the Portuguese. In 1494, in accordance with a treaty between the two powers, this line was moved another 270 miles towards the west, and when Magellan, on his circumnavigation of the earth, reached the Moluccas, difficulties once more arose as to the possession of these islands on the basis of



THE WORLD AT THE TIME OF COLUMBUS

the papal decree. In 1529 these differences were settled by Charles V, who left the Maluccas to the Portuguese in exchange for the payment of a sum of money.

Until the end of the sixteenth century these two powers actually succeeded in excluding foreign competitors from participating in the maritime trade. The Portuguese even consolidated their monopoly of the Indian trade by successful attempts to close the Medieval trade routes which led from India through the Persian Gulf and the Red Sea, into the Mediterranean.

Subsequently, the Dutch and the English easily succeeded in breaking down this commercial domination, and, later on, a number of other nations entered into competition in the oversea trade, and so divided it amongst themselves that one could no longer speak of the trade monopoly of a nation such as had been possessed by the Phoenicians in the period of antiquity, or by the Italians and the Hansas in the Middle Ages. The most we can speak of is the predominance of a certain power, which might be superior in a certain degree to the other powers.

The greater the number of competitors in the world's market, the more difficult did it become to retain a monopoly of an important highway of trade or of a trading factory. Already towards the end of the Middle Ages stronger measures had been resorted to, and now, when trade was borne beyond the inland seas into the open ocean, physical conditions rendered it impossible to maintain trade monopolies in practice.

OCEANS SUPERSEDE INLAND SEAS AS HIGHWAYS OF TRADE.—For each place the most advantageous and shortest routes were gradually selected, and trade began to adapt itself to natural conditions and to free itself from any restrictions imposed by other nations. The ancient European trade route of the Mediterranean which had hitherto been the sole link between the east and the west now sank to the rôle of an inland trade route, being supplanted by a variety of new routes in the Indian and Atlantic Oceans, and later also in the Pacific Ocean. In the course of time these various routes developed into a thick network. This development did not take place suddenly, however, and for a considerable time after the new discoveries the old trade routes maintained their vitality alongside the new ones. The first results of the change was experienced by the discovery of the sea route to India.

The products of the highly-developed Indian civilization, which were in great demand in the west, were brought directly to Europe by way of the new trade route and were received in larger quantities and at lower prices. This latter fact was largely due to the elimination of the intermediary trade, which had hitherto rendered the commodities abnormally dear, and also to the fact that maritime transport was much cheaper than the ancient method of transit by land and sea combined.

Chiefly for these reasons there took place a great increase in the commerce of Portugal; whilst, on the other hand, a decline in trade was first observed amongst the peoples within the vicinity of the obsolete highways, *e.g.*, Italy.

EFFECT ON COMMERCE OF THE DISCOVERY OF AMERICA.

—The discovery of America manifested its influence more slowly upon the world's commerce, for the natives of that continent stood on too low a level of civilization to offer important articles of exchange to the Spaniards. Indeed, they produced little more than was needed for their own requirements, and scarcely entered into consideration as consumers of European products. Nevertheless, certain important consequences immediately resulted from the streams of precious metals which flowed into the coffers of Spain from the New World.

It was not until after the European settlements in America had become more firmly established that a proper sphere of trade relations was opened up. With the progress of settlement the country became more and more important because it began to supply various entirely new articles of commerce and presented an excellent soil for numerous other products. During the sixteenth century this settlement was confined almost exclusively to Spaniards and Portuguese in South and Central America, but subsequently, especially in North America, was continued by Teutonic races. In this last named region, in addition to the white men, large numbers of negro slaves were imported and furnished a useful working population in place of the less capable natives.

The importance of the Americas as markets increased still further after the separation of the European colonies from their mother countries, especially considering that the latter had been in the habit of exploiting the colonies solely for their own benefit. It was therefore not until this event had taken place that the

various parts of America could enter the world's trade on their own account.

RISE OF GREAT MARITIME POWERS.—The extension of the areas of trade beyond Europe to the ocean and to the newly-discovered continents was fraught with important consequences and helped to alter the whole course of commercial history. The Mediterranean became deserted and Italy as well as Germany lost their former predominant position as trading countries; while the countries of western Europe which enjoyed a more favourable position for maritime commerce rose into power. As mentioned before, these countries were at first Portugal and Spain, and they occupied the leading position in commerce for about one hundred years. Their short period of prosperity was characterized by a commercial and colonial system based upon a policy of ruthless exploitation and conquest.

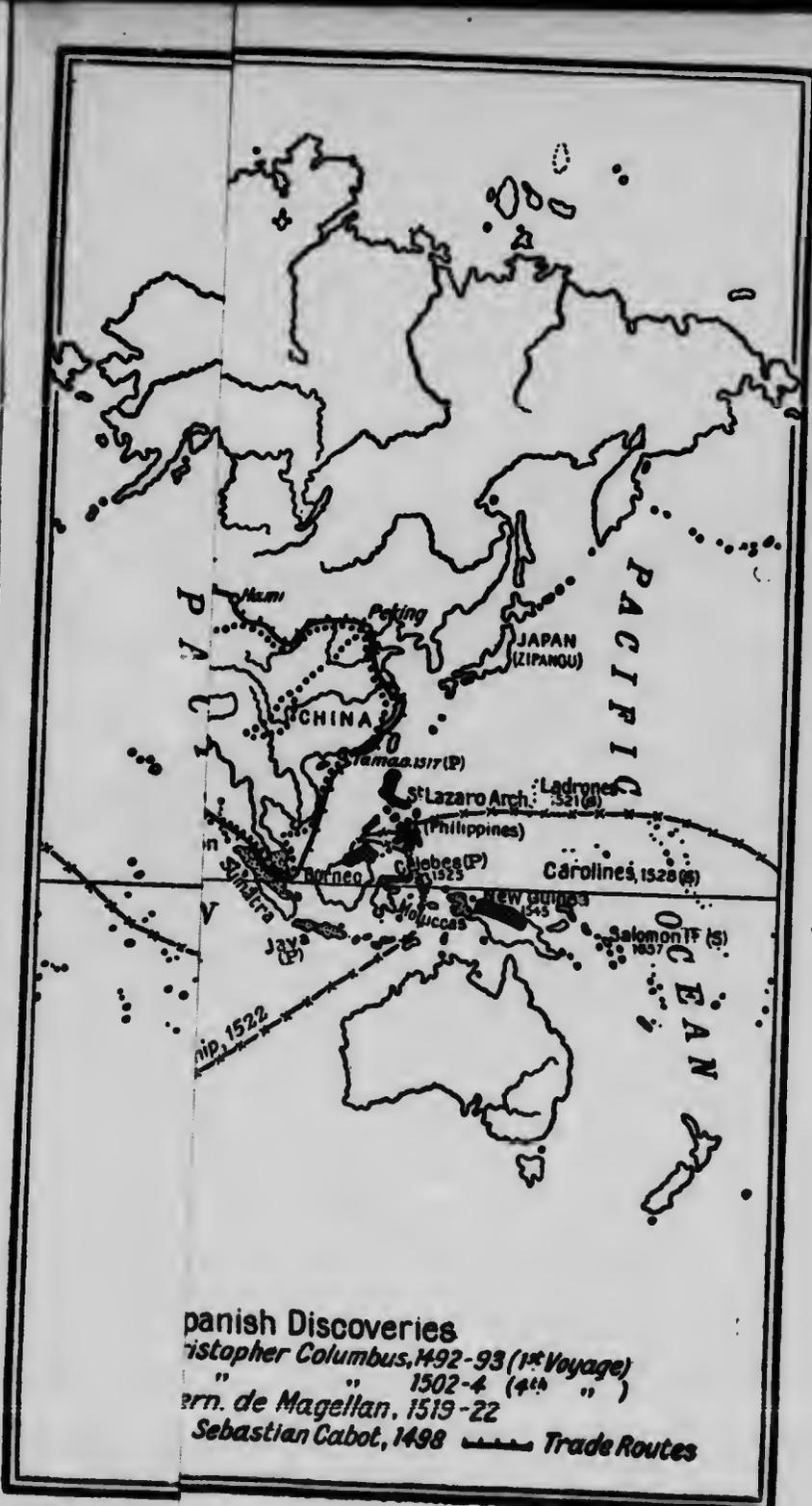
From the beginning of the seventeenth century onwards they had to give way to the commercial predominance of other powers which were constructed on a sounder economic basis and which adopted a system of mercantilism and afterwards the system of the Physiocrats. In the beginning, the small but highly developed commercial country of Holland obtained the lead in the world's trade, but was subsequently pushed into the background by the superior power of the great commercial countries of England and France, and, ultimately, after a long conflict between these two competitors, England obtained the upper hand. At the same time both Germany and Italy—split up into many small states and unable to maintain a uniform commercial policy—lost their dominating commercial position of the Middle Ages and sank to a very low level.

GREAT INVENTIONS.—Apart from the operation of geographical causes, important inventions produced a revolution in general conditions, such for instance, as the spread of the art of printing, the employment of gunpowder in the waging of wars, the manufacture of paper from rags, the extensive use of the compass in navigation, the invention of watches about 1500, the spinning wheel in 1530, lace-making in 1561, the making of worsted hose and embroidery, the increasing utilization of wind and water power in manufacture, the establishment of porcelain factories in the eighteenth century, etc.

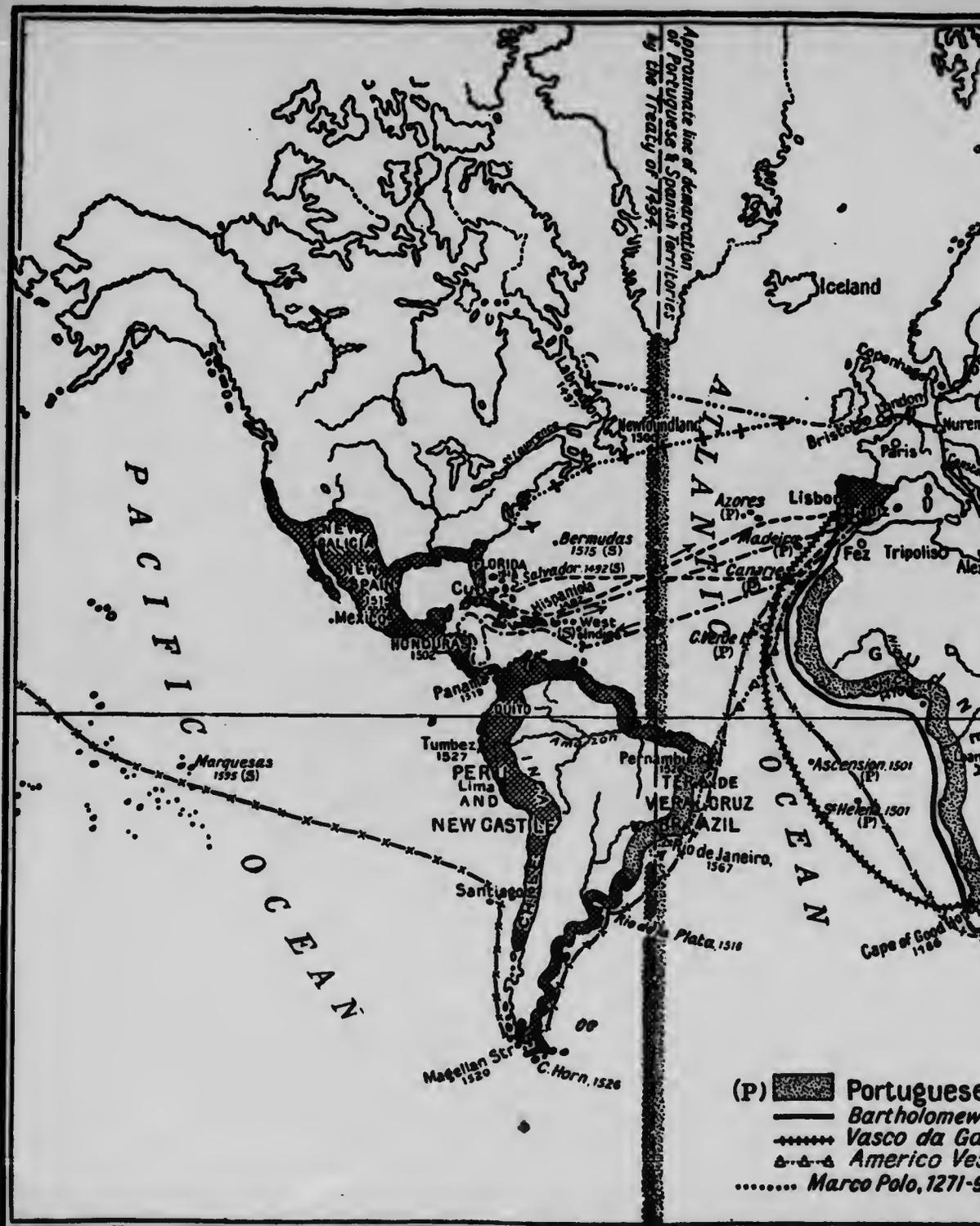
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Spanish Discoveries
 Christopher Columbus, 1492-93 (1st Voyage)
 " " 1502-4 (4th ")
 Fern. de Magellan, 1519-22
 Sebastian Cabot, 1498  Trade Routes





Portuguese Discoveries
 Columbus Diaz, 1486 - 87
 da Gama, 1497 - 99
 Vespucci, 1501 - 2
 Cabot, 1471-95

(S) Spanish Discoveries
 - - - - Christopher Columbus, 1492 - 93 (1st Voyage)
 " " 1502 - 4 (4th ")
 - x - x Fern. de Magellan, 1519 - 22
 + . . . + Sebastian Cabot, 1498

Trade Routes

THE RENAISSANCE AND THE REFORMATION.—In the sphere of morals a new life began with the spiritual and aesthetic revival of classical antiquity which took shape in the Renaissance, together with the diligent pursuit of the study of natural sciences. As early as the middle of the fifteenth century this movement took its rise in the rich commercial cities of Italy and found a fertile soil in the northern parts of Europe during the sixteenth century. Closely connected with this spiritual revival were the endeavours to bring about a Reformation in the Church which brought forth



THE SPINNING WHEEL

a great amount of intellectual unrest and led to embittered religious conflicts with consequences of the most far-reaching kind. To these were added far-reaching transformations in the political, economic, and social life of the people.

GROWTH OF NATIONAL SYSTEMS.—In a political sense the period under discussion was characterized as one of national and dynastic consolidation during which—in the case of most countries—a national government with state organization and independence triumphed over the medieval system of distinct classes and cities. In Spain, France, and Russia national consciousness became so strong that the power of foreigners within

these countries was brought to an end; England, Scotland, and Ireland were united into the British Isles; Sweden, which had seceded from the Calmarian Union, extended her frontiers beyond the Germanic and Slavonic countries of the Baltic and thereby entered, for a time, the ranks of the great powers; Denmark formed a firmly established empire, whilst in the east, Poland and Lithuania rose temporarily to positions of importance.

In these states—rounded off geographically into national systems—a strong central authority developed, based chiefly on the absolute power of the ruler. In this way the forces in each nation were united and the settlement of economic conditions was taken out of the hands of the nobles and of the municipalities and was raised into a state function. In this manner the place of individual cities was taken by nations which, supported by superior resources and military power, appeared as trade competitors.

POLITICAL DISINTEGRATION OF GERMANY AND ITALY.

—In contrast with these political units, Italy and Germany, even in more recent times, presented a picture of internal disintegration. Italy became the battle-ground of foreign arms and the prey of foreign masters. Its great republics, undermined by conflicting parties, either declined or were transformed into small municipalities requiring the support of foreigners and inviting their interference. In Germany, too, absolute monarchy developed, but at the expense of the Central Imperial authority. The feudal system became so strong that the many territorial principalities of which the country consisted became practically independent and had no longer any care for either emperor or empire. Whilst elsewhere the kings had abolished with a firm hand the disintegration resulting from the feudal system, Germany virtually remained a geographical expression, and its small territorial rulers, who brought the formerly flourishing cities more and more under their rule, were no match for the great states outside Germany. For this reason German trade lacked the protection and fostering care which the trade of other great powers enjoyed, and in consequence the decentralized constitution, which had not been disadvantageous during the Middle Ages, now became one of the most serious drawbacks to the economic development of Germany.

The disastrous catastrophe of the Thirty Years' War precipitated

the downfall of this system and led to the development of the larger German principalities out of which there slowly arose a better state of affairs.

The economic and social conditions of this period assumed a vastly different form of development among the various peoples. In most countries the place of the former town economy was taken sooner or later by the system of production for a market, in which the craftsmen no longer worked direct for the consumers but for a specialized trader. In this manner the market was widened so that trade, instead of being restricted to a particular locality, now extended over a large area. Wherever such an economic advance was made it was accompanied by a large growth of the population, by an increasing separation of employments, and by increased production and consumption. Agriculture underwent very little improvement and continued to feel the hampering effects of an unliberated and rightless peasantry, and the peasant revolts failed to bring about any particular progress in this respect. It was not until towards the end of this period that agriculture began to be carried on more extensively. More especially does this remark apply to Holland and England, where agricultural methods were stimulated by the assistance of enlightened nobles who desired to see the yeoman farmer class in better circumstances. In France the liberation of the peasant class was carried out in the most drastic manner by the Revolution. Moreover, agriculture, manufactures and commerce, assisted by the policy of the State, began to assume greater magnitude and increasing importance in the nation's economy, although its complete transformation into modern forms belong to the succeeding period.

DECLINE OF THE GILD SYSTEM.—The great majority of crafts, in spite of their development, still remained in the mediæval forms of the gild and domestic industry. In many places the domination of the gilds, which had exercised a beneficent influence during the Middle Ages, now became an obstacle to industrial progress, a sort of strait-jacket which stifled all growth.

The organization of the gilds in their old forms was inelastic, and the increase in the severity of the gild regulations, the exaggerated division of labour among the gilds, the retarding of technical improvements and the introduction of other obsolete measures

produced such a state of affairs that the governments everywhere aimed at the restriction of the power of these organizations. In England the guilds had already lost their practical influence in the seventeenth century; in France during the seventeenth and eighteenth centuries, and finally by the Revolution; in Germany, where they had been brought under the authority of the State as early as 1731, they did not lose their influence until the end of the eighteenth and the beginning of the nineteenth centuries.

BEGINNINGS OF THE MODERN INDUSTRIAL SYSTEM.—

Along with the craft guilds, which were no longer capable of development, a spirit of industrial freedom grew up which called into being new forms of industry and a superior factory organization. In England the foundation of this transformation had already been laid during the sixteenth and seventeenth centuries and was completed about the middle of the eighteenth century by the application of numerous inventions. Consequent on the Industrial Revolution in England, changes began in France which were powerfully assisted by the State, whereas the same development did not take place in Germany and Austria until much later. Indeed it was not until after the Franco-Prussian war that the modern factory system was firmly established in these two last-mentioned countries.

To a large extent both Germany and Austria had been so reduced by the Thirty Years' War, as well as by later wars, that agriculture, manufactures, and commerce remained in a very backward state. Nevertheless, a certain amount of progress in the forms of trade and transport was also noticeable in these countries, although it could not bear comparison with that made by the other great European powers.

At first the changes in commerce, occasioned by the new discoveries, were confined to maritime trade, whilst trade by land was neglected to some extent.

The Area of Trade Enlarges. During the seventeenth and eighteenth centuries, the commercial policy of the mercantilists had rendered a one-sided assistance to foreign trade and still continued to operate in a similar manner. It was only in the eighteenth century that increased attention was paid to inland trade by improving and cheapening the means of transport. The monopolistic foreign intermediary trade of different peoples, which

in former times was of such great importance for their commercial position, became greatly restricted, and over the whole earth commerce was carried on between the various peoples in a much more direct manner than had hitherto been the case. Henceforth trade was conducted more and more by the people of each country to the exclusion of foreigners.

New Commodities Become Important Colonial Products. Important changes also took place in the nature and variety of commodities which entered into exchange. On account of the great discoveries a large number of new articles came into the market and others which had formerly been known to a limited extent, such as the spices of India, now came into the market in much larger quantities, since they could be procured much more cheaply than formerly and therefore became articles of daily consumption among the masses of the people, instead of remaining as articles of luxury among the rich. In this manner sugar, coffee, tea, cocoa, tobacco, rice, maize, potatoes, indigo, cochineal, and cotton became articles of the first importance in the world's trade, the significance of which became still greater with the extension of the plantation system in the colonies and with the development of the virgin soil of the New World. In addition to the trade in these articles, that in cereals assumed greater importance towards the middle of this period, owing to the herding together of large masses of the population in various manufacturing centres, and the same remark applies to such raw materials as timber, iron, wool, silk, etc., as well as to certain articles of manufacture.

However, the true significance of the trade in cereals, raw materials for manufacture and finished articles themselves is not to be seen until the succeeding period.

With the transplantation of African negroes to America, there was a revival in the slave trade, and Italians, Spaniards, Dutch, English, and French reaped large profits from this trade, which, in spite of all endeavours to suppress it, was maintained until modern times.

Changes in Commercial Organization. These changes were not merely restricted to commodities but also extended to the forms of commercial organization. With the increase of law and order, it was no longer necessary for a merchant to accompany his wares. They could now be conveyed through a third party,

and in consequence transport and forwarding became an independent branch of commerce. At the same time the custom grew of transacting business in accordance with sample and from this there originated the system of exchange dealing; while there also developed the custom of selling through travellers. For a time the markets and fairs retained their medieval importance, and in a few important places (*e.g.*, Leipzig Fair) they even rose to greater eminence, whilst in other places they began to decline with the improvement in the means of transport.

Important changes were wrought in the forms of commerce by the progress in banking and finance. Finally, another factor which helped to transform the commerce of this period was the loss by the great merchants of their trading monopolies. This fact was due to the improvements in transport and to the possibility of conducting the home trade with a smaller amount of capital.

Technical Improvements in Maritime Trade. Almost the whole of these changes in the organization of commerce were based upon the progress achieved in the methods of transport. In view of the general preference given to the export trade, these improvements referred chiefly to navigation. A great advance was made in shipbuilding, which was placed upon a more scientific basis than formerly, so that larger vessels, more suitable for trans-oceanic voyages began to be constructed.

For a long time the Dutch shipbuilding yards were famous all the world over, whereas later on England built the largest and best vessels. Instead of the old system of oars, as seen in the Venetian galleys, the driving power of the wind by the aid of sails, was almost exclusively employed, and a high standard of perfection was attained in the art of steering large sailing vessels as well as in the general art of navigation. This was due largely to the extension of geographical, astronomical, and physical science, which was practically applied through the use of charts and instruments. Special attention was also devoted to the fighting capacity of ships, for during the sixteenth and seventeenth centuries the seas were still rendered unsafe by pirates, and commercial supremacy on the oceans depended solely upon naval power. In the eighteenth century special naval fleets were therefore constructed, whereas formerly merchant ships had been used for fighting purposes.

PROGRESS OF COMMUNICATIONS.—Of even greater influence than the technical improvements in maritime trade, was the progress effected in the transmission of intelligence and of passengers consequent upon the establishment of a regular postal system. Hitherto only a few small beginnings of such an institution had been noticed, such as the postal service of the University of Paris, about 1315, the service of town messengers in some German towns during the thirteenth century, and the State posts on horseback in France after 1464. In the year 1516 a permanent State post was instituted and carried into effect by the family of Taxis, who soon organized a regular service in France and Italy.

Furthermore, services more generally used by the public were instituted as early as the beginning of the seventeenth century in France, England, and in some German states. Everywhere the postal institutions were the privilege of the crown. In the eighteenth century postal communication had extended to nearly all European countries and had attained considerable rapidity and punctuality in the transmission of letters, passengers and goods; in the main its development depended upon improvements in the state of the roads. Strange to say, however, very little was accomplished in the way of road construction until the eighteenth century, except in the case of Holland and England, to which matter these countries paid attention at an early date. In France the first skilfully constructed roads were built under Colbert, and at a later period were systematically extended.

In the second half of the eighteenth century the construction of roads was at last begun in Prussia and some other German states, as well as in Austria. A greater amount of attention, however, was paid to the waterways and canals than to the construction of roads. In this respect the Dutch accomplished great things after the Wars of Liberation; in France many canals were constructed, especially during the reign of Louis XIV, as, for instance, the Languedoc, Orleans, St. Quentin and other canals; among English canals which were principally furthered in the eighteenth century, the Bridgewater Canal, constructed at the expense of the Duke of Devonshire, is worthy of mention; in Prussia much was done under Frederick the Great to extend the canalization of the Elbe, Oder, and Vistula basins which had been begun at an earlier date.

Changes in the Monetary System. A main feature of the

period of geographical discovery is the general transition from the older natural economy to the modern system of money economy. During the Middle Ages this transition could be observed in a few isolated towns only, but the change was now greatly facilitated by the influx *en masse* of precious metals from the newly discovered country—gold from the West Indian Islands and Central America, and, later on, from New Granada and Brazil; silver, after 1520, from Mexico, Peru, and Chili.

At the same time the production of precious metals in Europe likewise increased, and by this means a complete revolution in the whole monetary system was introduced. A sudden depreciation in the value of precious metals took place—especially in the case of silver. Towards the end of the Middle Ages the price of silver had risen owing to the great efflux of that metal to the East, but it now experienced a rapid fall in price.

The general price of silver fell continually until the beginning of the seventeenth century; it was particularly rapid during the first half of the sixteenth century, at the beginning in Spain only, but after 1550 also in France, Germany, and England. During the seventeenth century a slight increase was experienced, only to be followed by a fall in the eighteenth century, simultaneously with a fall in value of gold, which was now mined in large quantities. The effect of the increasing consumption of precious metal for industrial purposes exercised quite a subordinate influence on the value of precious metals in comparison with the great fluctuations in production.

FLUCTUATIONS IN THE LEVEL OF PRICES.—The great increase of the media of exchange brought about a complete revolution in the prices of all commodities, thereby entailing the most varied changes in economic conditions. This general increase in prices endured up to the beginning of the seventeenth century and spread from Spain over the whole of Europe. After this there followed a period of fairly uniform price conditions, marked during the second half of the seventeenth century by a slight fall, and in the eighteenth century again by a gradual rise in the level of prices. These occurrences, which must be regarded as among the most significant phenomena in the history of commerce during this period, were fatal in their consequences for some classes of the population. Especially was this the case for the landed aristocracy who had

changed their ancient revenues in kind into a monetary payment, and also for the working classes whose wages but slowly followed the rapid increase in the general level of prices. In this way important readjustments in the status of the various classes of the community were occasioned, and the first beginnings of those events, which later on resulted in the reduction in circumstances of the aristocracy, are to be observed in the rise of the middle classes, and in the social distress of the lower classes. At the same time the accumulation of capital had been facilitated, the power of the moneyed class had increased, and in a political sense it had gained still greater importance with the establishment of a bureaucratic state, mercenary armies, and the mercantile system of government.

THE SYSTEMS OF CURRENCY.—Throughout this period of history, the regulation of the coinage was still in a very unsatisfactory state. The right of minting, which was everywhere reserved to the Government, was abused in the most far-reaching manner and exploited for financial purposes. The idea prevailed that with money the most important factor was, not its content value, but its nominal value. Hence it was not regarded as essential that the nominal, the market, and the content values of the coins should coincide. In this manner the most abject confusion was created which was further increased by the variety of metals used for coining. For a long time these facts hampered the many attempts which were made in England, France, and elsewhere during the sixteenth and seventeenth centuries, with a view to restoring order in the currency systems. In Germany, also, attempts were made to bring about a more uniform condition by a common currency law, but without any satisfactory result.

In most cases the currency prevailing during this epoch was officially the silver currency, but in reality gold and silver were used concurrently in the so-called parallel or simultaneous currency—the ratio of value between the two metals not being fixed by law, but solely according to the market value. Already, from 1275 up to 1664 the bi-metallic currency had existed in England, but, from 1664 to 1717, it had been replaced by a silver currency, whereupon the bi-metallic currency had been re-introduced; in 1816 England adopted a gold standard of currency.

In the United States of America the bi-metallic currency has

existed since 1792 and in France since 1800. The ratio of value between gold and silver fluctuated in accordance with the change in production which was principally in favour of gold.

Between 1493 and 1520 the ratio oscillated between $1 : 10\frac{1}{2}$ and $1 : 11\frac{1}{10}$; in the second half of the sixteenth century it rose to $1 : 12$, then rapidly to $1 : 14$ and $1 : 15$.

The last mentioned ratio, which was reached in the third quarter of the seventeenth century, was maintained for a long time with but slight fluctuations.

MODIFICATION OF THE CREDIT SYSTEM.—Into the credit system important modifications were introduced from the fifteenth century onwards. The decree of the Church forbidding usury, which had been practised to a large extent during the Middle Ages, became more and more ineffective in view of the fact that the large oversea undertakings and the increasing expenditure of the various states necessitated the borrowing of capital.

For a long time yet the State and the Church attempted to oppose usury as well as the taking of interest in general, but the regulations aiming at their suppression became more and more illusory or else were circumvented by other forms of indemnity for loans. Finally, the decree forbidding the acceptance of interest ceased to be recognized, and its place was taken by the legal limitation of the rate of interest. Thus in England from 1546 onwards interest on loans at the rate of 10 per cent. was allowed by law, but this rate soon fell with the increase of the credit system, and at the beginning of the eighteenth century it amounted to only 5 per cent.

GROWTH AND DEVELOPMENT OF BANKING.—The banking system, which during the Middle Ages had been developed chiefly in Italy, attained greater importance during the sixteenth century in south Germany. When the world's commerce began to follow new routes in addition to the old ones, the tendency in both these countries was for the largest and richest business houses to devote their principal activity to the transaction of monetary and credit business. The accumulation of capital in the hands of individual families, and the rise of new trade centres, such as Lisbon and Antwerp, insistently point to the development of this business. Thus in the fifteenth and sixteenth centuries we find the numerous princes of Venice, Genoa, Florence, Augsburg, and Nuremberg

interested to a large extent in international finance—not only in commerce but also in the financing of the many needy kings and rulers of that time. Through these latter operations the Fuggars and the Welsers were brought into close touch with the highest royal personages. In this way they obtained great political influence, but, on the other hand, they also suffered colossal losses which were the main reason for their downfall. During this period a large number of banking firms went bankrupt owing to excessive speculation and risky enterprise, whereby many large fortunes were lost.



FIRST BANK OF ENGLAND NOTE

State and Municipal Banks. At the end of the sixteenth century and in the succeeding period permanent banking institutions on a municipal or state basis were founded, partly with the object of raising loans for the State, and partly with a view to facilitating financial intercourse and to strengthening the currency conditions. The most important of these institutions was the Banco del Giro in Venice, which existed from 1619 to 1806; the Banco di Saint Embrogio, established in 1593 in Milan; the Amsterdam Bank, 1609-1819; the Hamburg Bank, from 1619-1873; the Nuremberg Bank, 1621-1827; the Bank of Rotterdam, established in 1635; the Stockholm Bank, established in 1657; the Bank of England, established in 1694; the Vienna Bank in 1703.

Originally these banks were purely deposit banks, but later on

they also undertook other business. The oldest note-issuing bank of importance was the Bank of England, which was organized in accordance with the scheme of William Paterson, a Scotsman. In contrast with the other banks already mentioned—which were either State or municipal banks—the Bank of England was established as a Joint Stock Bank. Some of the note-issuing banks, which were established in most countries at a later date, brought about severe crises owing to the short-sightedness of their Governments, which held the belief that they could improve the finances of the state by an unlimited issue of bank-notes. Thus in 1716 the Banque General in Paris, which had been founded by John Law, a Scotsman, and which had been established with a view to relieving the financial stress of the French Government, had been converted for this purpose into a royal bank with special privileges. Within a few years the bank had increased its issue of notes to such an extent, and had so driven up the market price of the shares in which they speculated (the Mississippi Company and the Compagnie des Indes) that, when the unavoidable collapse of the Bank came, its liabilities exceeded the assets by two and a half milliards of francs, and on an average the creditors received only 1 per cent. of their claims. This gigantic swindle, which was facilitated by the fatal error of thinking that new values could be created merely by the issue of paper money, entailed as consequences the rapid fall of market prices, the bankruptcy of the State, a general credit crisis, and a serious shock to commerce. However, it reduced the burden of debt owing by the State. Similar in nature was the effect of the abnormal increase of uncovered paper money brought about by the French Revolution through the issue of Assignats.

Between 1790-1796 about forty-five milliards of these notes were put into circulation. These sank to below 1 per cent. of their face value, and for that reason they had to be put out of circulation in 1796. In the year 1800 France received a well-organized State Bank of Issue in the shape of the Banque de France, founded by Napoleon, which has answered its purpose up to the present day. In Germany the Royal Deposit and Loan Bank, founded in Berlin by Frederick the Great in 1765, is worthy of mention, since it was the precursor of the Prussian State Bank.

IMPROVEMENTS IN FINANCE.—Alongside the development of

the banking system there was experienced an improvement in the system of money-changing and of remittance. Up to the sixteenth century money-changing was chiefly in the hands of Jews, Italians, and Southern Frenchmen, but this business now reverted to the people of the various states concerned. The chief centres of this business were Nuremberg, Frankfort, Augsburg, Lyons, Paris, Antwerp, and later, but most important of all, Amsterdam and London; the latter, besides dealings in bills of exchange, soon extended its operations to dealings in stocks, shares, and other securities.

From the fifteenth century onwards the bill of exchange transactions, which were already highly developed in Italy during the fourteenth century, were now extended more and more, and in imitation of the custom established at the fairs of Lyons and Besançon, the so-called Fair Bills drawn on the great Fair centres, assumed great importance. This form of bill exchange lost its importance during the course of the seventeenth century, but at the same time the bill of exchange, by the introduction of endorsements, became a substitute for money and in a still higher degree a general international means of remittance.

ESTABLISHMENT OF EXCHANGES.—The exchange of bills at the great fairs may be regarded as the beginning of the organized trade exchanges which likewise originated during this period. At first capital was accepted on deposit and for safe-keeping, in addition to dealings in cash and bills of exchange, whilst commodities suitable for exchange dealing were not introduced until a later date. The expression "bourse," which is the continental term for "exchange," originates from the word "Burse"—the name of the proprietors of the house in Bruges which served as the meeting place of the Bruges merchants. Already the Paris exchange had been founded in the fourteenth century and the London Stock Exchange in 1556; the Hamburg Exchange in 1558; and the Amsterdam Exchange in 1608. In Berlin, already, in the seventeenth century, dealings in the shares of the large companies had assumed large dimensions, and at the beginning of the eighteenth century exchange dealings in grain had already become important. In France speculation on the exchange increased to such an extent as to make possible, for instance, the great speculative swindle of John Law. In England transactions on the exchange increased

in magnitude and in variety, and here likewise speculative crises occurred at the beginning of the eighteenth century (*e.g.*, the South Sea Bubble).

In 1724 an official Exchange for the purchase and sale of stocks, shares, bills of exchange, etc., was established in Paris by the French Government, whilst the first German Stock Exchange was founded by the State in Vienna in 1771. The proper development of exchange transactions, however, dates from the nineteenth century.

DEVELOPMENT OF INSURANCE.—In the sphere of insurance, it was chiefly the branch of marine insurance which developed, and this had found introduction into most European commercial countries as early as the beginning of the sixteenth century. With the exception of certain small local fire insurances of the Middle Ages, fire and life insurances date from a much later time. The first attempts worthy of note were made in the seventeenth century in England and France, at first on the principle of mutual life companies. From the beginning of the eighteenth century onwards, both in England and in France, a whole series of private fire insurance institutions arose bringing about great progress in this form of insurance.

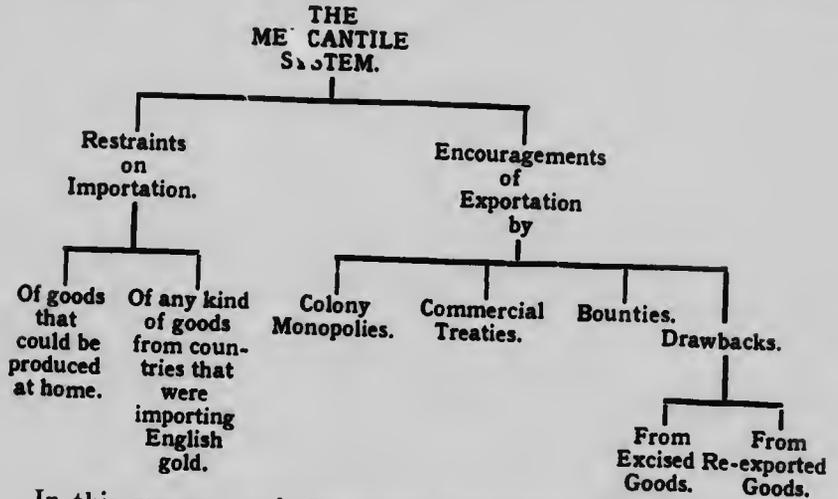
The first attempt at life assurance proper was made in 1653 by the Italian Tontine in Paris from whose name is derived the term "Tontine." A business on a permanent basis only became possible when the tables of mortality, especially those of Halley in 1693, furnished a sound basis for conducting the business of insurance. Soon after the compilation of these tables, the first life assurance company was founded in London in the year 1705; in France this example was followed in 1819 and in Germany in 1827.

THE MERCANTILE SYSTEM.—The commercial policy of the period of geographical discovery received its peculiar character from the fact that from the towns of the Middle Ages it was now transferred to the homogeneously organized state systems. Hitherto the commercial policy of states had consisted merely of isolated measures, but now they began to work for ends which would benefit the whole state. This system, which was adopted as a characteristic mark of all forms and principles of Government during the seventeenth and eighteenth centuries, was the so-called

"mercantilism." Its guiding notion was based upon the one-sided conception that the wealth of a people was to be measured solely by the quantity of precious metals in its possession, and that the only thing necessary to enrich a nation was to increase the quantity of gold and silver in a country. The remarkable rise into power of Spain and Portugal—resulting from the influx of gold and silver from the New World, the drawbacks to which were overlooked—as well as the increasing value of money generally, may have been the cause of this dogma. At any rate, the endeavour was to attract into the country as much money as possible and to retain it there; and on the other hand to let out as little money as possible.

With this end in view measures were taken to procure the precious metals from foreign countries and to prohibit, as far as possible, their exportation. These direct measures, however, produced but small results, and efforts were soon made to increase the quantity of gold and silver in the country by indirect means, *i.e.*, by obtaining it from other peoples by the aid of foreign trade. An Italian named Antonio Serra was perhaps the first to point out the importance of such a commercial policy in a treatise which appeared in 1613. In this book he showed the way in which countries which lacked mines themselves might obtain gold and silver in abundance. The measures considered necessary for this purpose were shown to be a great increase of exports which would have to exceed the imports in a large degree in order to produce a very favourable credit balance of trade, thus bringing the value of the excess exports into the country in the shape of money. A number of measures in regard to the regulation of the customs duties helped to serve this purpose. The prohibition of imports and high protective duties for nearly all foreign articles combined with export bounties for home manufactures were introduced, whilst on the other hand the exportation of food-stuffs and raw materials was restricted. Thus it may be said that the mercantile theory was a body of doctrine teaching that wealth consists, in a peculiar sense, of money, whilst the mercantile system was a system of statutory interferences with commerce endeavouring to give effect to the mercantile theory. In short, the export of goods which usually brought money into the country was encouraged, whilst the import of goods which usually sent money out of the country was discouraged. Hence the

mercantile system may be represented in the form of a diagram as follows—



In this manner each State erected barriers against the outside world, whilst on the other hand endeavours were made to introduce commercial and political unity in the interior of the country.

The internal tolls were abolished first of all in England, as were the economic privileges of the towns. Moreover, the navigation of the country was fostered by the granting of bounties or by the exclusion of foreign vessels from participation in the coastal trade of the country, and by attracting as much of the international traffic as possible.

Trade with the colonies was monopolized in a manner comparable to that of the mile limit in the towns of the Middle Ages. The colonies were prohibited from taking their raw material elsewhere than to the mother country. They had also to satisfy their demands for foreign goods through the mother country, and to renounce all right to the establishment of industries which might enter into competition with those of the mother country.

The consequence of this system, both in an economic and in a political sense, was that an exaggerated estimate was placed upon manufactures. Every effort was made to extend the same, and to render them more efficacious, whilst agriculture was treated in a very stepmotherly and indifferent fashion. The immediate consequence of the system was to stimulate a greater interest in the question of the population. The greater the available supply of labour in

the country the more possible was it to carry on manufacture. A large increase in the population was calculated to fulfil other requirements of the mercantilist theory—an increased economic, financial and political power. A large population implied a greater number of workmen, more taxpayers, and an increased number of soldiers. To this must be added a far-reaching system of State tutelage by which all economic institutions were organized, and which strove to regulate agriculture, commerce and manufactures in accordance with its principles. For this purpose, also, the State desired to influence its subjects by the most varied administrative and executive measures. Government factories were established and many commercial privileges and monopolies were created by the State

The Leadership of Economic Life passes from Church to Kings. For the carrying into execution of the above-mentioned mercantilist programme, it was natural that highly centralized power was necessary in order to establish economic unity within the State and in order to exercise a powerful and aggressive commercial policy towards the outside world. For this reason, mercantilism—where it has appeared in its most successful forms—is represented by the central power of absolute government, whilst the whole period of the dominance of such ideas is characterized by embittered economic conflicts. Colonial, naval and commercial aims were directed to serve the interests of the rulers, and the same may be said in regard to other aspects of the State's policy. From the beginning of the seventeenth century up to the Continental Blockade, nearly all wars pursued economic ends. Thus the reason underlying the landing of the Swedish king, Gustavus Adolphus, who became the saviour of German Protestantism, is to be found chiefly in his endeavour to dominate the Baltic Sea which had become important in a commercial and political respect. The Dutch not only fought the Spaniards for their freedom, but also waged ruthless wars of conquest against the Spanish and Portuguese colonies.

In the Spanish War of Succession, and in the coalition wars in the main, the object aimed at was the profitable Spanish-American trade. The wars which England carried on against Holland and France were for revenue, commercial or colonial ends. The Seven Years' War, too, can be traced to the rivalry of the English and French for the colonies in North America, and with the French

defeats in Canada and India the issue was, at the same time, decisive.

Mercantilism was carried to great length in Spain and Holland, but still more so in France and England, where the names of Colbert and Cromwell mark its zenith. These countries formed powerful political units, and, moreover, were assisted in the pursuit of their commercial and financial policy by naturally protected sea frontiers. On the other hand, in Germany both these preliminary conditions were absent. Here it was more particularly Prussia and Austria which desired mercantilism, and who wanted to increase their exports, to develop manufactures, and to stimulate the growth of their populations, but their efforts met with comparatively small success.

Mercantilism was an Advance on what it Superseded. In view of the prevailing conditions of the time, the mercantile system was to a large extent justifiable, for in some cases it hit upon the right thing (*e.g.*, the theory of a favourable balance of trade was for the most part correct at that time), and for a long time this system proved an effective means of furthering the progress of the nations. In the eighteenth century, however, it degenerated into a one-sided system for the development of export industries, and became an inequitable and obnoxious fiscal system with intolerable impositions of duties, which finally strangled many useful forces by its excessive interference with the economic activities of the people.

Furthermore, the mercantile system received a severe shock by the separation of the American Colonies from the mother country and by the revolutionary changes which were taking place in the thought of the times, which were to lead to a more liberal form of social organization.

Reaction against Mercantilism—the Physiocrats. The reaction originated about the middle of the eighteenth century in France and in England. In France, in contrast with mercantilism, there originated the Physiocratic theories which were translated into practice, especially under Turgot, but they also gained influence in the other states of the Continent. They demanded greater freedom of economic life, abolition of State tutelage, a change in taxation, a stoppage of the preference given to export industries and the fostering of agriculture.

In accordance with these theories, agriculture only was considered productive since it alone created new values. It was held by the Physiocrats that the true wealth of nations was rooted in the soil, and this idea, in view of the existing conditions in France, was largely justified, although they went to the opposite extreme to that of the mercantilists.

Economic Liberalism. The new theory propagated in England aimed at avoiding the fallacies both of the mercantilists and the Physiocrats. Here manufactures and commerce occupied, compared with agriculture, a position of equal, if not of superior importance, and it was impossible to neglect these interests as was the case in France. The new teaching, which saw in the co-operation of nature and labour the principal source of the wealth of nations and recognized in free competition its principal ally, was helped to victory by the publication of Adam Smith's *Wealth of Nations* in 1776. The theory of Smith soon captivated the minds of thinking men so that his teaching was translated into reality in the economic liberalism of the nineteenth century.

Colonies were regarded as Private Estates to be Exploited by the Mother Country. It was in the spirit of mercantilism that states should strive for the possession of colonies, for these not only offered places for the supply of precious metals and raw materials and food, stuffs of non-European origin but also constituted valuable markets for the sale of home products. Great wars were therefore waged for the possession of colonies; the Portuguese, Dutch, English and French fought for India; England and France carried on extensive wars for the possession of North America. The mercantile system looked upon colonies merely as objects to be exploited for the benefit of the mother country. On the other hand, manufactures and trade were forbidden them; all foreigners were excluded from the trade with them; and the mother country was their only market. This colonial policy finds its clearest expression in the Navigation Acts of Cromwell.

In order to exploit the natural treasures of the colonies as much as possible for the benefit of the mother country, the various governments carried on the trade with the colonies themselves as a monopoly, or else they granted to trading companies the exclusive right to trade with them. In this manner were established, for instance, the Dutch East India Company, the English East India Company,

and the French East India Company, with the well defined policy of monopolizing the trade of the colonies.

Importance of Companies in the Expansion of Trade. Apart from this aim, the difficulty, expense and risks of maritime trade of that time, which were beyond the control of the individual, formed an important reason for the establishment of these companies. The large companies made the most prolific use of these privileges. In the colonies they beat down the prices as much as possible, whilst in Europe they raised them artificially, thus enriching themselves in a ruthless manner whilst the governments greatly benefited by the sums paid to them by the companies for their privileges and for the protection of the State. Later on, when the over-sea trade was less in need of protection—these companies having practically grown into states with their own administrations, laws, armies and navies—they became a hindrance to the home governments, owing to the abuse of their power. At the same time, by their insatiable greed they developed into oppressors of the colonists.

The English Colonial System the most Liberal of its Time. In spite of the great similarity in the colonial policies of all the countries which have hitherto been mentioned, there were nevertheless great differences in the character of the Spanish and Portuguese system of colonization as compared with that of the English. In none of their extensive and rich colonies have the Spaniards planted anything like a dense settlement of their own people, but in the main only owners of plantations, merchants, officials, etc., and nowhere have they been able to raise agriculture and manufacturing activities into a state of prosperity. The valuable yield of precious metals, and the favourable conditions of production in the newly-opened-up areas, soon gave them easily acquired wealth, so that the mother country obtained a financial interest in them at an early period and took over the whole administration of the colonies and thus prevented any independent development. The sole object of this colonizing policy right from the beginning was the filling of the Government coffers, and this object remained to the end. On the other hand, the English had to begin colonization in North America with the settlement of small farmers who had to improve the land bit by bit with their own labour, since there were no precious metals, and the conditions of production were less favourable than in the Spanish possessions.

Until after the lapse of a considerable time the English crown, therefore, could not hope for any profit from their colonists, nor could they employ the system of exploitation unless the colonists had developed resources of their own. In the end this process, of course, was adopted, but not in the same measure as in the Spanish possessions, for the colonies were not left to the mercy of the mother country to the same extent as in the Spanish colonies. On the contrary, they became so powerful and attained to such a strong economic position, that in the Wars of Independence from 1776 to 1783 the thirteen English colonies liberated themselves entirely from the yoke of the mother country and formed their own independent system of government under the name of the United States of America. A few decades later the Spanish and Portuguese in South and Central America likewise obtained their independence by forcible means. The separation of the colonies from their mother countries sealed the doom of the old colonial system.

CODIFICATION OF LAW RELATING TO COMMERCE.—With the increase of trade and intercourse the place of the customary rights which had obtained up to this time was taken by special legislative enactments in regard to trade and navigation. These laws were based upon the commercial usages prevailing in the Middle Ages and the trade regulations handed on from the Italian, Dutch, and Hanseatic commercial cities. The law relating to maritime trade and bills of exchange, in particular, was codified as special branches. The first legal code of commerce was introduced in France under Colbert; it was the Ordinance de Commerce of 1673 and the Ordinance de la Marine of 1681 upon which is based the Code de Commerce, given by Napoleon in 1807 as a part of his great work of codification, and which is still in force to-day.

GROWTH OF INTERNATIONAL LAW.—In the beginning, whilst the great maritime powers considered the seas discovered by them as their property, the principle of the "freedom of the seas"—pronounced for the first time by the Dutchman Hugo Grotius in the seventeenth century—gradually began to assert itself, and, like the law for the protection of the neutral flag, became recognized more and more as an international law. Some powers extended the institution of the Consulates which had been introduced by

the Venetians in order to afford protection to their subjects in foreign countries.

COMMERCIAL TREATIES.—At a much earlier date, however, and in a more intensified degree than these international dogmas, numerous treaties were concluded between various states and furthered or safeguarded the intercourse between different peoples. These treaties guaranteed mutual security of trade and intercourse; they regulated the system of currency; the use of seaports and the interior waterways; the visits to markets and fairs, etc.

Commercial treaties also strove to regulate the customs duties levied in international trade and these were gradually moulded from their former heterogeneous character into a definite tariff system. Of course, in accordance with the tenets of mercantilism attempts were made to extort one-sided advantages for a country's own exports, often to the disadvantage or even exclusion of foreign competition, also as few concessions as possible were made to foreign powers. The best known example of such a commercial treaty was the so-called Methuen Treaty of 1703, between England and Portugal which conceded to the British the importation of their woollen goods into Portugal for ever, and on the other hand permitted the importation into England of Portuguese wine at a rate of duty lower by one-third than that on French wines.

This treaty, which was made with the object of injuring the trade of France, was abrogated partly in 1831 and finally in 1842.

Commercial treaties which aimed at facilitation and mutual extension of intercourse without the concurrent idea of harming others were not concluded until the next period.

STATISTICS OF TRADE.—With the growing importance of commerce, the need for some means of estimating the extent of the trade in different countries became more evident, and in England the first continuous statistics of trade were published in 1697. For a long time these naturally remained incomplete owing to the fact that at that time smuggling played such an important part as a means of import, and in view of the fact that the technique of statistics (especially the valuation of imports and exports) was very defective.

TEST PAPER XIII

1. What were the limits, roughly speaking, of the world known to Europeans at the opening and at the close of the fifteenth century? Who had been the chief leaders, and what had been the chief exploits of ocean discovery in this time (*i.e.*, 1415-1500)?
2. Discuss the chief stages in the discovery of the ocean highway from Europe to India.
3. Discuss the economic effects of the discovery of the New World.
4. For what reasons, and with what success, were efforts made in the sixteenth century to discover a North-West or a North-East Passage?
5. Summarize the four great voyages by which the earth was circumnavigated, showing how they combined to further the expansion of commerce westward.
6. Trace in outline the struggle between the Portuguese, Dutch, and English in the East.
7. Account for the failure of the Colonial policy of Spain.
8. From the history of this period, trace the connection between scientific discoveries and industrial development.
9. Indicate with a sketch map the knowledge of the world west.
10. Give an account of the early history of banking as a separate business.
11. In what different senses is the word *gild* used? When were the gilds in their most flourishing state, and when and why did they begin to decline?
12. What is meant by the mercantile system? How, and during what time, did it affect European policy and legislation? When, and from what causes, did it begin to decline?
13. Trace the rise of the system of marine insurance.
14. At what times in the history of commerce have there been great changes in the value of the precious metals? Explain the causes and the results.

CHAPTER II

PORTUGAL

EFFECT OF THE DISCOVERY OF THE CAPE ROUTE TO INDIA UPON PORTUGAL.—During the period of geographical discovery, Portugal at one stroke became one of the most important competitors for the world's trade, although hitherto, owing to its scanty agriculture and small manufacturing activity, it had only possessed an insignificant trade in salt, fish, and wines. The voyages of discovery along the west coast of Africa, in which Portugal had taken a prominent part since the time of Henry the Navigator, had already led to the establishment of numerous settlements on the coasts and islands of these seas, and had brought the country a profitable trade in gold, ivory, wine, sugar, rubber, and slaves. After the discovery of the sea-route to India by Vasco da Gama, and the consequent extension of Portuguese dominion over a large part of India, the Malay Peninsula and the islands of the Malay Archipelago, the most important share of the world's trade fell into the hands of Portugal and brought it immense profit.

Rise of Lisbon and Antwerp. The capital, Lisbon, attained to undreamed of prosperity. The treasures of India were piled up in this city, which took the place formerly occupied by Venice, *i.e.*, became the European depôt for Indian produce—a depôt from which the merchants of the remainder of Europe had to obtain their requirements. The majority of the goods were sent from Lisbon to Antwerp, which at that time was the principal market for the northern European area of trade.

Portuguese Colonial Policy. It is characteristic of the activity of the Portuguese in India that they did not colonize in the proper sense of the word; to them it was merely a question of carrying on trade, and all settlements were exclusively trading stations. A colonizing policy was scarcely possible in view of the scanty population of Portugal and the dense population of south-eastern Asia. The control of the Portuguese trade with India lay, for the most part, in the hands of the Government, which alone was in a position to afford the military the means required for the acquisition and

protection of trading stations. On the other hand, however, the Government also drew important revenues from this trading activity.

Merchandise was brought to Europe in large ships owned by the State which also carried on dealings in the goods, whilst private persons shared in these operations only to a very small extent. As early as the sixteenth century Portugal derived huge profits from the Indian trade, whereas the large colony, Brazil, did not yield anything of great value at first, the only product imported therefrom being dyewood. The Portuguese also obtained great success from the fishing off the coast of Newfoundland in competition with the Dutch and the English.

DECLINE OF PORTUGUESE PROSPERITY.—The prosperity of Portuguese trade endured for a short time only, and its decline may be said to date from the union of Portugal with Spain in 1580, in consequence of which, the country was thrown into the conflict between Spain and the Netherlands. The gigantic profits derived from the increase of the Indian trade attracted more powerful nations against which the small country could not maintain its monopoly. Moreover, she had made herself thoroughly hated in the oversea areas by her exploitations, her tyranny, and her mistaken selfish colonial policy. Therefore, within a comparatively short time the country not only lost a large portion of her fleet, but nearly all her Indian, a large share of her African and even American possessions to Holland and England. In Asia she managed to retain in the end Goa, Diu and a few other less important places. After the separation from Spain in 1640—the country having again become independent—it was no longer in a position to reconquer its lost colonies.

Meanwhile the country had become impoverished, as the revenue so easily derived from the oversea trade had made the people unaccustomed to work, so that agriculture and manufactures had declined. The money which had been so easily gained was lost to other more energetic peoples.

SUBSEQUENT DEVELOPMENT OF BRAZIL.—However, in the second half of the seventeenth century, Brazil, which had remained in the possession of the Portuguese, began to progress favourably by its increasing cultivation of sugar-cane, the extension of the plantation system for which large masses of African slaves had

been imported, and by an increasing exportation of hides, china, bark, dyewoods, drugs, etc.

Nevertheless Portugal, in comparison with the other powers competing in the Brazilian trade, drew only a small profit from it. Through the Methuen Treaty of 1703 the country finally fell into complete economic dependence upon England and became impoverished to a greater and greater extent. The splendid administration of the great statesman Bombal, who, in the third quarter of the eighteenth century carried out extensive measures for improving agriculture, vine-culture, mining and manufactures, did not have any permanent effect.

TEST PAPER XIV

1. Examine the consequences to the course of trade of the celebrated voyage of Vasco da Gama.
2. What were the chief characteristics of the Portuguese Colonial policy?
3. Account for the importance of Lisbon and Antwerp during the period of Portuguese prosperity.
4. Give the chief reasons for the decline of Portugal as one of the leading world powers.
5. What was the Methuen Treaty? Give some comment on its economic working.

CHAPTER III

SPAIN

SHORT-LIVED PROSPERITY OF SPAIN.—With the conquest of Granada in 1492, Spain had shaken off the foreign yoke and had become united, after long-continued conflicts, under one crown, when suddenly she came into possession of a new continent by the discoveries of Christopher Columbus. The country, which under the Moors had already risen to great economic prosperity, now took a further and rapid step forward in its commerce and manufactures. Immediately after the conquest of the New World, the American colonies emptied huge quantities of precious metals into the lap of the mother country, thus furthering its economy in an almost incredible manner and increasing its splendour and power. As in Portugal, however, the prosperity brought about by the incoming streams of bullion lasted only for a short space of time. The Spanish people, who in any case were not particularly gifted for agriculture, manufactures, and civic activities, learned to despise peaceable employment, and wider and wider circles shared in the adventurous voyages of conquest, in emigration, and other enterprises which promised a rich, easily gained return of wealth and luxury. At the same time, the country lost a large number of its most energetic and skilful inhabitants by the fanatical expulsion of the Jews, and later on of the Christian Moor. Adventurous seafarers, knights, officials and monks were the standard bearers of the Spanish civilization of that period.

SPAIN'S INDUSTRIAL POLICY.—Thus it happened that the country's own production failed to progress and that the vast quantity of imported precious metal was not employed for the advancement of the country itself, but only for the purchase of large masses of goods in foreign markets. Thus the money only passed through Spain into other countries which supplied Spain's imports, *i.e.*, to Holland, where Antwerp was the principal *depôt*; to Belgium, France, England, etc. Of course, by this means the trade of the Spanish ports of importation greatly increased, so that Seville, Cadiz, St. Lucia, and Medina del Campo became great commercial cities, whereas the former commercial centres on the

Mediterranean—especially Barcelona—declined owing to the alteration of the trade routes. In consequence of the immense luxury and other peculiarities of development, some industries advanced temporarily, as, for instance, the woollen and silk industry in Granada and Seville, the manufacture of arms in Toledo, and the leather industry in Cordova. Only to a small extent, however, was trade carried on by the people themselves, being conducted in foreign vessels under the auspices of foreign merchants; likewise the industries, in the course of time, were out-distanced by those in other countries. For these reasons the country, in spite of the inflow of bullion, became impoverished, especially in view of the fact that the money itself, owing to its immense increase, became greatly depreciated and therefore more rapidly found its way abroad. The short period of Spanish



THE SHIP OF COLUMBUS

prosperity falls into the reigns of the Emperor Charles V, whose boast it was that on his empire the sun never set, and of his successor, Philip II, during whose reign Portugal, with its rich colonies, was incorporated into Spain.

THE DECLINE OF SPAIN.—Before the end of the sixteenth century, however, a continuous downward movement set in. This downward movement evinced itself when the Dutch, tired of the

oppressive Spanish rule, seceded in the year 1579, and, in alliance with the English, destroyed the proud Spanish fleets, went in pursuit of the Spanish trading vessels in all seas and captured them with their valuable cargoes, broke down the monopoly of the Spanish colonial trade, occupied the colonies, and cut them off from the mother country. In this way Spain began to experience a decrease of wealth imported from without, which for so long a time had cloaked the delay of the nation's economic life. At the same time the inquisition, with its terrors, ravaged the interior, whilst an absolute monarchy, thinking solely of its own advantage and being continually in debt, suppressed all independent economic or intellectual impulses.

SPAIN'S COLONIAL POLICY.—The severe mercantilistic principles of this administration also prevented the Spanish colonies from pursuing an independent policy of development, and to Spain had fallen the lion's share of the newly discovered continent with its richest areas. The principal interest taken in the colonies centred in the extraction of gold and silver, whilst there was not much inclination to open up the country itself, nor were the Spaniards by their disposition fit for such development. Foreigners were not allowed to settle at all in these colonies. The cultivation of European agricultural produce and carrying on of trades in these colonies was altogether forbidden, in order to force them to obtain their requirements from the mother country. The whole colonies were the property of the crown, who claimed for itself the fifth part of the precious metals mined, and a tenth part of all other outputs. Spaniards alone were allowed to carry on trade with the oversea possessions, and this trade was kept under strict control. At certain intervals (in the beginning, twice a year) royal fleets departed from Seville and later on from Cadiz to America. The quantity and prices of the goods were fixed by the Government, so that smuggling was the order of the day; the latter was carried on principally by the pirates of the seas surrounding the Antilles—the buccaneers and fillibusters, who were very fond of intercepting the returning Spanish fleet, which they called the Silver fleet—but the Dutchmen, Frenchmen, and Englishmen also shared in this smuggling trade.

The economic and political ruin of Spain was not arrested even after the conclusion of peace with England and the Netherlands,

The population emigrated *en masse*, agriculture and manufactures retrogressed more and more, and trade gradually became entirely dependent on foreign countries. Exports in the end comprised but a few articles such as wool, wine, fruit, oil, etc. Meanwhile, the progress made by the American colonies in the cultivation of cocoa, indigo, tobacco, sugar-cane, etc., as well as in the exportation of raw hides, chiefly benefited foreigners into whose hands the Spanish trade had fallen.

TEMPORARY IMPROVEMENT OF SPANISH INDUSTRY.—In 1713 there was a turn for the better when the Bourbons ascended the Spanish throne. Production in its various branches took a new lease of life in consequence of greater freedom, the reform of the stupid fiscal system which had prevailed, improvements in the conduct of trade, and by other means. However, this improvement was only of an artificial nature. It emanated from the Government, not from the people themselves, who remained in their accustomed lethargy; and for this reason Spanish industry, even under the improved conditions, was unable to weather the storms which swept over Europe at the end of the eighteenth century.

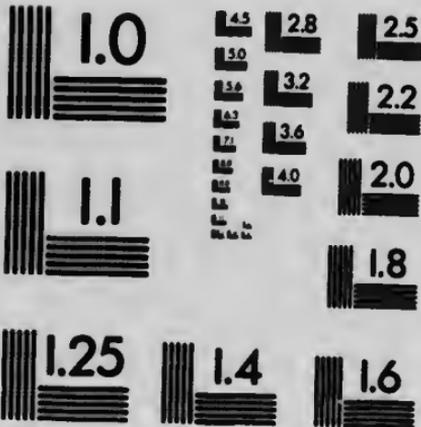
TEST PAPER XV

1. Account for the rapid rise into importance of Spain at the beginning of the era of discovery.
2. Say what you know of the Colonial policy of Spain.
3. To what economic causes can the rapid decline of Spain after the sixteenth century be attributed?
4. Write short notes on—
 - (a) The Spanish Inquisition.
 - (b) The Moors.
 - (c) Expulsion of the Jews.
5. How far did commercial considerations play a part in the wars between Spain and her rivals in the sixteenth century?



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CHAPTER IV

THE NETHERLANDS

RISE OF DUTCH COMMERCE.—With the accession of the Duchess of Burgundy, the Netherlands came into the possession of the Austrian Dynasty, and subsequently to its Spanish branch. The favourable geographical position of the country—offering good natural harbours for the maritime trade of the northern as well as the southern peoples—together with the energy of the inhabitants, had already rendered the country prosperous during the Middle Ages, the principal centre up to the last quarter of the fifteenth century being Bruges, and afterwards Antwerp. In the course of the sixteenth century the favourable economic condition of the country made still further progress until at the beginning of the seventeenth century this small state had succeeded in raising itself to the position of the richest and most powerful trading nation in the world.

After the discovery of the sea route to India, Antwerp became the leading entrepôt for the trade of northern and southern Europe. From Lisbon it derived its supply of Asiatic and African products; from Spain came wool, silk, fruit and sugar; from England and Germany: wool, metals, textiles, etc.; from North-eastern Europe: timber, hides and grain. On their arrival at Antwerp the goods were either transported to other countries or were there exchanged for Dutch produce. This commerce was furthered chiefly by the fact that the Low Countries at that time were one of the freest states of Europe, and amongst the native merchants there prevailed great freedom of competition (especially at Antwerp), whilst important facilities and privileges were conceded to foreign merchants.

THE DUTCH WAR OF INDEPENDENCE.—Already about the middle of the sixteenth century the Netherlands dominated the northern trade and through their relations with Spain attracted American gold and silver in increasing quantities. Philip II (1566-1598) held the privileges and liberties of the country in contempt and threatened to exterminate the Protestants by the introduction of the inquisition. It was during his reign that a long

and embittered war of Independence broke out which led, in 1579, to the secession of the northern provinces, and in 1648 to the formal acknowledgment of their independence, whilst the southern provinces had to submit to Spanish rule and to Catholicism. Immediately after the accession of Philip II these conditions entailed wholesale emigration from the industrial provinces of the southern Netherlands—where the towns of Antwerp, Ghent and Malines had attained a high state of prosperity—to the northern provinces.

Under the subsequent plundering and devastation by the Spaniards, Flanders and Brabant were rendered desolate, and practically the whole of the labouring population migrated to the northern part of the Netherlands, *i.e.*, Holland, which not only gained complete liberty by warfare, but also did much to annihilate the world domination of the Spaniards by waging successful wars of conquest. The trade of Antwerp, after much pillage and oppression, finally reverted to Amsterdam.

FOUNDATION OF THE DUTCH EAST INDIA COMPANY.—In 1591, when Philip II had made known to his subjects the relations with the seceded provinces, the Amsterdam merchants could no longer furnish their requirements of Indian products through Lisbon. In consequence they entered into direct relations with India where they soon began to oust the Portuguese. At first a number of merchants combined into an association for the promotion of trade with foreign countries, and, in 1595, under the command of Cornelius Hautman, who had formerly been in the service of the Portuguese, they despatched a fleet to India for the purpose of opening up trading relations. The successful issue of this venture led to the establishment of other companies which sent out ships to the Little Sunda Islands and to Sumatra. It was soon recognized, however, that the several enterprises only survived to weaken each other through their mutual competition and the splitting up of their strength. The idea of amalgamating these smaller companies into a single association was therefore adopted, and in 1602 the Dutch East India Company was founded. It obtained from the Government the exclusive right to trade with India and soon displayed a far-reaching activity. This company was the first characteristic example of the political trading companies supported by the State. Its principal activity was directed towards the Indian Archipelago, the Moluccas, Java, and Sumatra. Everywhere it tended to

oust the Portuguese in trade or else drove them out by the force of arms. The company founded factories in Malabar and Coromandel (where Nagapatam became its principal factory); in Siam; in the island of Formosa, and even in Japan. The company conquered Malacca in 1651, Ceylon in 1658, Celebes in 1660, and finally in 1747 also occupied a portion of the island of Borneo.

DUTCH COLONIES IN THE EAST.—In this manner the great Dutch East Indian Colonial empire rose up and was divided into the five administrations of Java, Amboigna, Ternate, Macassar, and Ceylon, the centre of which, from 1621 onwards, was Batavia. In the commercial exploitation of these colonies the company displayed great avarice and cruelty towards the natives who were commandeered for labour. To the rights of foreign merchants it paid no regard. The spice monopoly was secured by the restriction of cultivation to certain islands and by the extermination of plantations elsewhere. In the event of abundant harvests, large quantities of produce were destroyed in order to maintain prices artificially at a high level, and in view of the huge profits the value of the company's shares rose tenfold. Towards the end of the seventeenth century the business of the company declined considerably owing to the increasing mismanagement and to the competition of the English. As a consequence the company was dissolved in 1795 and its possessions were taken over by the Dutch State, whose position as a world power the company had been instrumental in establishing. The company was also the cause of the settlement in South Africa, owing to the fact that it established a station at the Cape of Good Hope for the purpose of re-victualling the East India vessels, and later on from these settlements there arose the great agricultural colonies of the Boers.

THE DUTCH WEST INDIA COMPANY.—A second company of the same kind was the Dutch West India Company, which was established in 1629 by the fusion of a number of separate undertakings, its sphere of activity embracing the West Indies, North America, Brazil, and West Africa. It dealt principally in negro slaves and in addition extracted great advantages from the maritime war against Spain. From 1623 to 1638 the company's fleet captured 555 Portuguese and Spanish vessels of a value of ninety million florins. Furthermore, the company conquered the major portion of Guiana, some West Indian Islands, chief amongst which

was Curaçao; it obtained a footing in North America where in 1614 New Amsterdam (now New York) was founded, and settlements were also established in Brazil and on the west coast of Africa. However, most of the company's possessions were again lost to the Portuguese and to the English, as, for instance, Brazil in 1654 and New York in 1664. The Dutch retained only Surinam, their West Indian possessions, and a few areas on the African Gold Coast. After the buccaneer warfare had come to an end, with the conclusion of the Westphalian peace, the Dutch West India Company fell into decay.

LEADING POSITIONS OF THE DUTCH IN EUROPEAN COMMERCE.—The great benefit which Holland derived from its colonial possessions and from the trade with India and eastern Asia, which it almost entirely monopolized, was further increased by the gains from its still more important European trade. It dominated the trade of the North Sea and the Baltic, the district of the Rhine, whose mouth was closed to foreigners, and also became a powerful competitor in most other European countries. The merchants of the German Hanseatic League in a large measure became dependent upon the Dutch.

Agriculture and Manufactures. In addition to a flourishing trade, manufactures increased the wealth of the small country which for a long time was regarded as the model State of Europe. Agriculture and cattle-rearing were actively carried on, manufactures were well developed, whilst fishing and navigation helped to swell the revenues of the country. Before the second half of the eighteenth century the herring fishery was not developed by any other people to anything like the same extent as by the Dutch, and, since the beginning of the seventeenth century, whale fishing—for which a special company had been formed in 1614—had become a lucrative occupation.

Shipbuilding and Navigation. In regard to shipbuilding and navigation the Dutch were the foremost in the whole of Europe. Their shipbuilding yards were so famous that they also built the ships for most of the other nations, and the shipbuilding yard at Saardam, near Amsterdam, held a specially high reputation. With about three-fourths of the European merchant service under their control, the Dutch easily occupied the first position in maritime trade, thus becoming the ocean carriers for the bulk of the

world's trade and the predominant mediators of international trade.

AMSTERDAM—The Trading and Financial Centre of the World. The centre of the Dutch world trade was Amsterdam. Immense sums of money streamed into this city, where exchange speculation began to develop and where the systems of banking and insurance assumed a high state of development. When Venice and Genoa could no longer satisfy the increasing monetary requirements of the mercantilistic governments, numerous state loans were floated in Amsterdam where large sums of capital had accumulated and were waiting for investment. The Dutch Republic itself and numerous towns and corporations obtained their loans here, and as a consequence, from the second half of the seventeenth century onwards, there was carried on a remarkable business in stocks, shares, and other securities of the most varied kind. A peculiar abuse of the trade on exchanges at that period was the "tulip scandal," which, however, had nothing to do with the Amsterdam exchange, but which was experienced in nearly all Dutch towns as well as in other places. Between the years 1634 to 1637 speculation in tulips assumed such an extravagant nature that the prices of some sorts were raised to an abnormal height on account of speculative dealings in futures. "The tulip continued to increase in reputation, until it was as incumbent upon persons of fortune to have a collection of them as to keep a carriage. Nor was the interest in them confined to the wealthy. The rage for their possession soon spread to the middle classes of society, and merchants and shopkeepers, even of moderate means, began to vie with each other in the size and strangeness of their collection, and in the preposterous prices paid for bulbs. A trader at Haarlem was known to pay one-half of his fortune for a single root, not with the design of selling it at a profit, but simply to cultivate it in his own conservatory for the admiration of his friends."¹ The abnormal situation thus created

¹ Oxley, *The Romance of Commerce*, p. 127. The same writer relates an amusing incident of "how a wealthy merchant, who took no little pride in his rare tulips, upon one occasion received a very valuable consignment of merchandise from the Levant. The news of its safe arrival in port was brought him by a sailor, and the merchant, in reward for the welcome message, gave its bearer a fine red herring for his breakfast. Now this same Jack-tar, it seems, was particularly fond of onions, and, noticing a bulb very like his favourite vegetable lying on the desk, he slyly seized the opportunity to slip it into his pocket, thinking it would be a very good relish for his herring.

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DUTCH COMMERCIAL SUPREMACY

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led to a fall in prices in 1637, and since tulips were thrown on to the market in immense quantities there resulted a serious crisis which inflicted huge losses upon many people.

THE DECLINE OF HOLLAND.—Holland attained the zenith of its power about the middle of the seventeenth century. With its fleet it dominated, at that time, the commerce of all the seas. Wealth, science, and art flourished in its cities; its universities attained a great reputation, whilst its artists competed with the great Italian masters. The political and commercial position of the small republic, however, was bound to decline in the course of time, since the great neighbouring states, having overcome their temporary weakness and disruption, soon began to shake off the domination of the Dutch in the maritime trade. Especially was this the case in regard to England and France. First of all the carrying and transhipment trade of Holland suffered severely on account of the English Navigation Acts of 1651 and 1660, and in view of the fact that England and all its possessions were now closed to the Dutch. Thereupon warlike conflicts ensued in which the superior power of England gradually asserted itself to such an extent that the Dutch were forced to acknowledge it. The country also suffered various disadvantages in consequence of the competition of the French and the wars of conquest which these involved. With the disappearance of the great Dutch heroes, de Ruyter and Van Tromp, the maritime supremacy of Holland was lost, although for some time longer trade remained active, though it fell more and more from its dominating position. During the wars of the eighteenth century Holland, in view of its reduced status as a power, strove anxiously to retain its neutrality. Moreover, the country suffered greatly from the American War of Independence (1775-1783) in the course of which England declared war on Holland for very trite reasons—in order to prevent the country from joining the armed sea neutrality along with the other European powers.

He got off with his prize, and hastened to the harbour to enjoy his breakfast, but hardly had he disappeared before the merchant missed his precious 'Semper Augustus' buli, worth at least three thousand florins. Great then was the commotion. A vigorous search was at once instituted. Presently a bright clerk suggested the sailor. In hot pursuit went the merchant, followed by his employees; and lo! seated on a coil of rope at the head of the quay, they found poor, innocent Jack masticating the onion with apparent appreciation, little dreaming that the value of his breakfast would have provisioned the whole ship's crew for a twelve-month!"

REVIVAL OF PROSPERITY IN THE SPANISH NETHERLANDS.

—The Southern or so-called Spanish Netherlands were for a long time in a backward state because of the devastation and oppression of the Spaniards, and repeatedly they had to suffer in consequence of wars. They recuperated to some extent after having fallen to Austria by the Peace of Rastalt; agriculture in particular underwent a considerable improvement, whilst manufactures also experienced a great revival, as for instance, the making of linen, cloth, lace, leather, and metal goods. Of course trade suffered greatly through its dependence on Holland which, at the peace of Westphalia had been granted the right to close the mouth of the Scheldt to other nations, and this right was used extensively up to 1795. The maritime trade of Antwerp, situated on the Scheldt, was crippled by this closing of the river. The efforts of the Government to create a direct trade between Ostend and other European countries were partially successful, whilst the exports into the interior of the Continent increased so that Brussels gradually became an important city.

TEST PAPER XVI

1. Account for the Dutch commercial ascendancy during the sixteenth and seventeenth centuries.
2. Enumerate the consequences of the Dutch War of Independence.
3. Trace the circumstances which led to the establishment of the Dutch East India Company.
4. Criticize the organization of the Dutch East India Company.
5. Draw a sketch map to illustrate the extent of the Dutch Possessions in the East Indies about the middle of the seventeenth century.
6. Say what you know of the activities of the Dutch West India Company.
7. "The Dutch were not dependent on the Indian trade for the position they took among commercial nations in the seventeenth century." Estimate the truth of this statement.
8. What were the chief factors which led to the rise of Amsterdam as the chief banking and financial centre of Europe during the seventeenth century?
9. Enumerate the principal causes which brought about the decline of Dutch prosperity.

CHAPTER V

ENGLAND

THE ENGLISH BEGIN TO CONDUCT THEIR OWN COMMERCE.—

Throughout the Middle Ages England had controlled but a very small share of the world's trade. It had exported scarcely anything but wool, hides, tin, lead and—since the middle of the fourteenth century—Newcastle coal. This traffic, as well as the importation of goods into England, was carried on, however, by foreigners, such as the Hansards, the Dutch, the Italians, etc. During the fourteenth and fifteenth centuries, the English endeavoured to free themselves from foreign rule and to take their trade into their own hands. With the support of the Government, the trading companies of Thomas à Becket, the guild of the Staplers, and later on that of the Merchant Adventurers, strove to attract to themselves the exportation of raw wool and woollen goods. These articles were exported chiefly to the Netherlands, to Calais (in English hands up to 1588), to Normandy, Gascony and to some other parts of France. In fact, in the latter part of the fifteenth and during the sixteenth century, the English merchants succeeded in depriving the Hanseatic League of a large portion of the English trade.

INDUSTRIAL PROGRESS UNDER THE TUDORS.—During the sixteenth century a great transformation took place in the social and political conditions of England. Under Henry VII (1485-1509) and Henry VIII (1509-1547) the power of the independent nobles was completely suppressed and a strong monarchy was created. With the disappearance of serfdom and the facilitation of the acquisition of landed property, agriculture experienced a surprisingly rapid development. Industry progressed under a system of governmental protection. Especially was this the case with the old-established cloth industry, which was brought to a high state of development by restricting the exportation of partly-finished woollen goods and the importation of fine foreign fabrics. As a consequence, the English cloth manufacturing process became independent of the foreign finishing process and English manufactures soon appeared as competitors with those of Flanders in

the various European markets. Moreover, the influence of the continental powers on England's economic and political development began to decline, and treaties were concluded with the Hanseatic League and the Netherlands. Henry VIII laid the foundation for the Navy. He established the Anglican Church, which was independent of Rome. He abolished the monasteries and confiscated their great wealth. In spite of this development the trade of the Hansa and of the Dutch still remained predominant.

It was not until the time of Elizabeth (1588-1603) that England succeeded in liberating herself from this domination. The period of the Virgin Queen was marked by far-reaching changes in almost every sphere of mental and material activity—in manufactures, trade and navigation, as well as in art, science and literature.

Abolition of the Privileges of Hanseatic Merchants in England.

The privileges, of foreign merchants, especially of the Hansa, were annulled in 1597, since they refused to give to Englishmen similar privileges in Germany. The progress of the English led to increased disputes with the Hanseatic merchants until finally, at the instigation of the latter, the Merchant Adventurers were warned against trading with any of the ports of Germany.

As a reprisal the Steelyard in London was closed in 1598 and the expulsion of the Germans from England was decreed.

ENGLISH TRADING COMPANIES—Under the guidance of a wise policy, English trade began to extend itself to the neighbouring countries. In addition to a brisk trade with Russia, relations were also opened up with Asia Minor, Africa and India. Hence shipbuilding and navigation made rapid progress, and, at the end of the sixteenth century, numerous trading companies arose endowed with privileges and monopolies. Besides the already existing Russian Company, an Eastern, a Levant, a Guinea, and, above all, a British East India Company were founded.

These companies were either "regulated" or "joint stock." Adam Smith writes of them: "When they do not trade upon a joint stock, but are obliged to admit any person properly qualified, upon paying a fine and agreeing to submit to the regulations of the company, each member trading upon his own stock and at his own risk, they are called regulated companies. When they trade upon a joint stock, each member sharing in the common profit and loss in proportion to his share in the stock, they are called joint-stock

companies." On account of their great importance in the trade of this period, they are given in a tabular form on page 158.

Bold seafaring enterprises like that of Francis Drake, who circumnavigated the earth, and of Walter Raleigh, who founded the first English colony in North America and named it Virginia in honour of the Queen, showed the great capabilities of the English people for maritime activity. This ability was further proved in the war against Spain which broke out in consequence of English intervention in the Dutch Wars of Liberation after the execution of Mary Stuart, and which laid the foundation of British naval supremacy with the defeat of the Invincible Armada of Philip II.

THE ENGLISH NAVIGATION ACTS.—During the seventeenth century the process of development was somewhat retarded by the outbreak of the Civil Wars in England, the competition of the Netherlands which had reached its zenith of commercial power, and also by the competition of the highly developed French manufactures. Under the rule of Oliver Cromwell a change for the better was brought about. The bitter feeling provoked by the commercial rivalry of the Dutch, which had been suppressed through the common struggle against Spain, now broke out into open warfare.

The introduction of the famous Navigation Act of 1651, which was directed mainly against the Dutch carrying trade, subjected the Netherlands to great material loss. This measure, exemplifying the purely mercantilistic policy, provided that European goods could only be carried in English ships or in ships of the country of origin; those of countries outside Europe could only be transported in ships belonging to British subjects and having a predominantly British crew; it excluded foreign nations from the English coast fishing, as well as from that in all British waters. In the years 1660-1664 the Navigation Acts, in addition to minor alterations, had incorporated in them various important regulations in reference to the trade with English colonies. All foreigners were excluded from it. The colonies were allowed to bring their produce only to the English market and had to cover their requirements of foreign goods in England. They were also forbidden to carry on a number of industries.

The whole commercial policy of England was grouped around the Navigation Acts which were not repealed until 1849. This policy carried out in the most ruthless manner with the imposition

TABLE OF EARLY ENGLISH TRADING COMPANIES

Name of Company:	Incorporated.	Area of Trade.	Remarks.
Merchant Adventurers	1490 (abt.)	North Germany Denmark Flanders	A regulated Company which compelled the Hanse Merchants to withdraw from their settlement of the Steelyard in London in 1578. Continental towns were eager to have factories of the Company in their towns as they promoted trade. Factories were established successively at Bruges, Antwerp, Hamburg, Stade, and Middleburg. Lasted into eighteenth century.
Eastland Merchants	1579	Baltic Countries	Exported English cloth, and imported tar, hemp, and wood for shipbuilding. The company failed to secure trade of the Hanse Merchants owing to energetic Dutch competition, and was, on the whole, not a success.
Russia Company	1555	Russia Armenia Media Hyrcania Persia Caspian Region	Result of a company formed in 1553 to finance an effort to discover a Northern Route to the East. Complaints that the Company's monopoly was not exercised wisely led to Government interference.
Turkey Company	1581	Eastern Mediterranean	Chief trading centres were Smyrna and Aleppo. Trade was established with Persia, but Company did not prosper and encountered financial difficulties. Merchants traded with the Levant countries who were not members of the Company. The Government intervened in 1643 to protect the monopoly, but, owing to bad internal management and the competition of the East India Co., the monopoly was in 1825 surrendered.
East India Company	1600	India and the East Indies	Greatest of all the Trading Companies. It had political power, and founded our Indian Empire. The Portuguese and Dutch were keen rivals. Company had stations at Surat, Madras, Hooghly, and in 1617 a capital of over one and a half millions sterling. A fresh company was formed in 1692. As a result of the Mutiny, the British Government took over Company in 1858.
African Company	1618	Guinea	This was a joint-stock concern. Trade became open, and another company was formed in 1672. This also failed to succeed, and was wound up. Yet another was formed, but without success. Owing to planters' antagonism, this one was also dissolved, and the British Government took over its possessions.
Hudson's Bay Company	1670	Hudson's Bay	Joint-stock company, formed to develop fur trade of northern Canada. Treaty of Utrecht gave the company sole right to navigate Hudson's Bay, and the concern became very prosperous. It was not until 1869 that this company surrendered its political rights and exclusive trading privileges.

of customs duties, the conclusion of treaties, the waging of wars, attained its purpose by eliminating a number of competitors (*e.g.*, Holland and France).

THE COLONIAL POLICY OF ENGLAND.—After the reign of Cromwell certain modifications, which led to steady progress based largely on the development of the English colonies, were introduced into the commercial policy of the State. In addition to the foundation of their own colonies, the English also acquired some of their possessions by conquest from other colonial powers such as Spain, Portugal, Holland and France, and in this way they became the greatest colonizing people. English colonial policy has proved sounder and more successful than that of the other powers.

THE NORTH AMERICAN COLONIES.—From the beginning the colony in North America, which was founded as a mere settlement, possessed characteristics peculiar to itself. After Walter Raleigh had taken possession of Virginia in 1585, Jameston was founded in 1606; Boston in 1626; then followed the colonies in New England (1628-1640); Maryland in 1632; New York and New Jersey in 1660; Connecticut in 1662; Carolina in 1663; Pennsylvania in 1682. In the West Indies: Jamaica in 1655, Barbados and some other islands were occupied. Under Charles II the whole of the eastern coast of North America was in the hands of the English. The colonies here were of a threefold nature—

1. Crown Colonies;
2. Settlements of an aristocratic nature, *i.e.*, plantation colonies such as Maryland, which belonged to Lord Baltimore, or Pennsylvania, which belonged to Wm. Penn; or
3. Democratic Settlements which had been assigned to companies, as, for instance, Massachusetts.

In accordance with their very nature the North American Colonies, which became more and more colonies for emigration, were more independent of the mother country than the other British possessions. For this reason the Mercantile Colonial System, as it had been laid down in an accentuated form by the Navigation Acts for the purpose of artificially maintaining the colonies in economic dependence upon England, became a source of continual dissatisfaction for them and entailed an extensive smuggling trade, friction and conflict. In consequence of increased taxation by the mother country, and especially on account

of disputes concerning tea duties, the thirteen English Colonies finally revolted.

Seceding from the mother country, they united themselves under a common constitution, and in this manner they established, in 1776, the United States of America. Their independence was acknowledged by the mother country after a seven years' war of Independence in which Spain, France and the Netherlands became involved (1776-1783).

BRITISH EAST INDIA COMPANY.—The Indian possessions proved themselves of greater value than the American Colonies. The company, which was formed in 1600 with the privilege of trading with India, experienced great difficulty in maintaining itself against the opposition of the Dutch and other Europeans, as well as in the conflict with the native Indian population, who were greatly embittered by the company's exploitation and oppression.

At first the company only succeeded in establishing factorics, but was unsuccessful in acquiring larger possessions. Its monopoly was temporarily cancelled by the Government, but in 1686 it was renewed and so extended as to include the right of minting and of waging war. From that time onwards greater progress was effected, and this was still more the case after a second company had been founded under William III, which in 1702 was amalgamated with the old company. In 1668 the island of Bombay came into the company's possession, and in 1707 a strip of land at the mouth of the Ganges—where Fort William was founded—the nucleus of the later Calcutta. Its subsequent progress, which was carried out by clever negotiation with the native princes and skilful operations against the Great Moguls of Delhi, was opposed by the competition of the French who had founded a French East India Company under Colbert. This company had acquired Pondicherry and Chandernagore in 1674 and met with signal success, especially after its reconstruction in the year 1719.

FOUNDATION OF THE BRITISH EAST INDIAN EMPIRE.—In the inevitable conflict with England the French at first obtained one victory after another, until in 1751 and 1752 Robert Clive inflicted material loss on the French, and, by the conquest of Bengal and the other districts along the Ganges, laid the foundation for the British East Indian Empire, which was further built up under



the Governors-General Warren Hastings, Cornwallis, Clive, etc., who were appointed subsequent to 1784. The Seven Years' War inflicted decisive losses on the French in Canada as well as in the East Indies. By the Peace of Paris in 1763, only a few places were left to them in India; and the French East India Company was dissolved in 1770. The apparent success of the East India Company and the abuses which, to no small extent, had crept into its administration, gave rise in 1773 to a regulation of its conditions by Parliament, which secured for the Government a lasting interest in Indian affairs. The East India Bill of the Younger Pitt, passed in 1784, appointed a controlling authority and the constitution, as well as the administration of the possession, was materially changed, whilst in 1814 the Charter of the Company expired.

COMMERCIAL AND COLONIAL EXPANSION.—Apart from the above-mentioned territories, the English acquired possessions on the west coast and in the interior of Africa, in Canada, Newfoundland, Australia, Gibraltar, etc., chiefly by conquering them from other peoples, and in this way created the largest colonial Empire in the world.

Simultaneous with this colonial expansion of England, there took place a rapid commercial development which from the accession of William III in 1688 was almost uninterruptedly sustained by a strict system of protective and prohibitive customs duties. After Holland had been subjugated in the three years of war 1651-4 in 1654-7 and 1672, this tariff system was chiefly directed against France, who at that time tried to bring many of her manufactured products on to the English market, thus seriously threatening English industry. France responded with a similar system of energetic counter measures which developed a long enduring rivalry between the two countries, marked by many military conflicts. The commercial struggle which ensued was characterized by import and export duties, prohibitions and wars lasting for 150 years, which terminated favourably for England in regard to European and oversea trade. In all wars conducted against France on the Continent, England participated either with the aid of her Fleet or by the granting of subsidies, and in this manner procured for herself permanently the economic supremacy over her rivals. At sea her hegemony was already indisputable in the

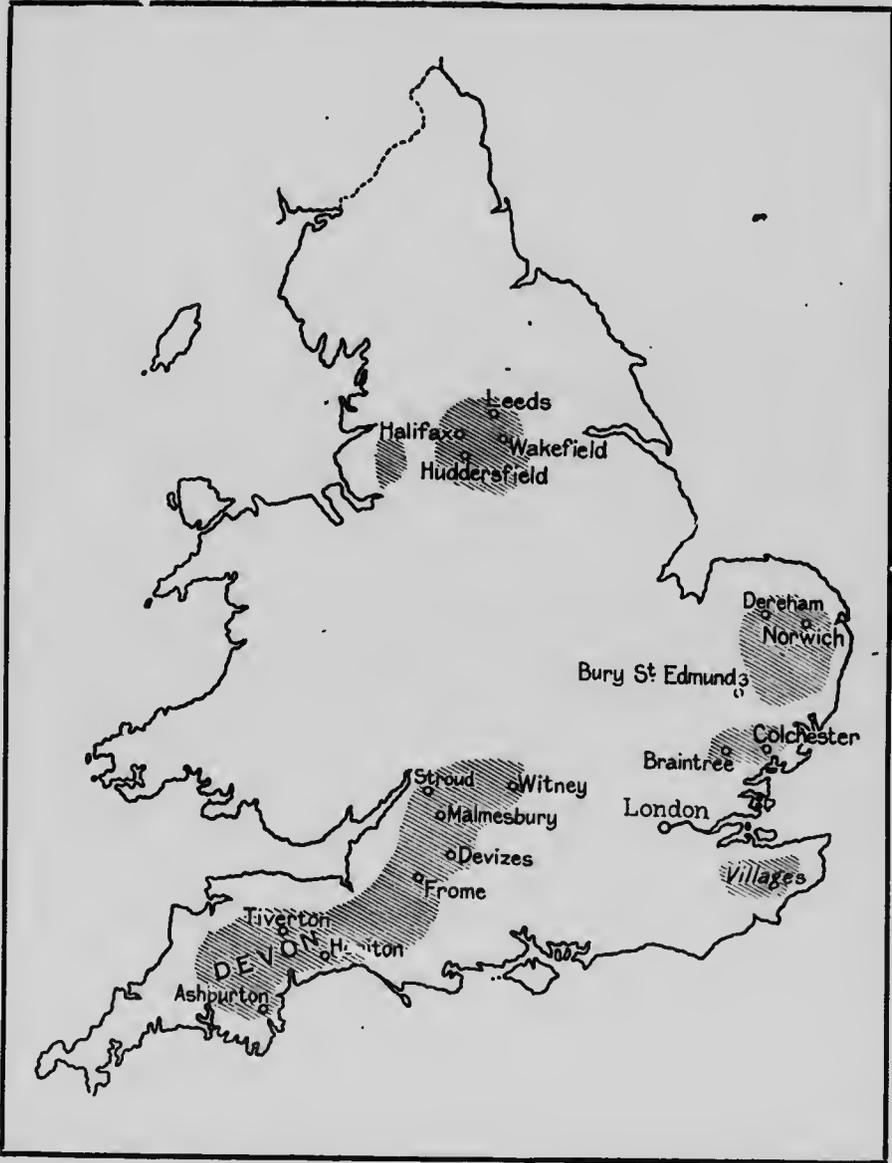
second half of the eighteenth century. The attempt of Napoleon I to break it did not meet with success.

ENGLAND'S MARITIME SUPREMACY.—In all her wars with other nations, England never failed to utilize her naval power for the benefit of her commerce. During the American War of Independence as well as during the Anglo-French Wars of 1793-1802 and those of 1803-1815, she deprived her adversaries of their colonial possessions, captured their ships and also hampered neutral commerce by a system of irritating search for contraband or even by direct attacks. In this manner by her mastery of the seas she hampered the freedom of maritime commerce to an almost intolerable extent. Naturally any injury or damage to foreign vessels indirectly benefited the commerce of the English.

LEAGUE OF ARMED NEUTRALITY.—In order to oppose this injustice on the part of England, the Great Powers of Europe, in 1780, had concluded a League of Armed Neutrality on the sea which aimed at the maintenance of freedom for neutral shipping in regard to all merchandise except arms and ammunition. In view of the supreme position held by England, however, this League naturally met with very little success.

During the North American War of Independence important portions of European commerce reverted to the group of neutral states, such as Russia, Denmark, Sweden, Prussia, Hamburg, etc. Soon after the termination of the war England rapidly regained the lost ground, however, and the traffic between her and the United States, thanks to the fact that they were of the same nationality, language and customs, developed more quickly than before. After Napoleon I had declared the Continental Blockade, following the naval victory of Nelson over the French and Spanish navies at Trafalgar in 1805, English trade suffered to some extent although the blockade of continental ports was circumvented by extensive smuggling.

MODIFICATION OF THE MERCANTILE SYSTEM.—The Mercantile System under which this development took place was greatly weakened during the last decades of the eighteenth century in consequence of the revolution in ideas. In 1786 England concluded a commercial treaty with France, called the Eden Treaty, after the English representative. In its principles this was a free trade treaty, since both nations agreed to concede to each other a



PRINCIPAL CENTRES OF THE WOOLLEN INDUSTRY AT THE
 BEGINNING OF THE EIGHTEENTH CENTURY

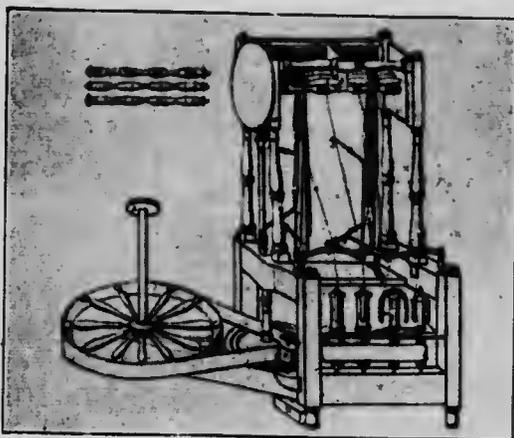
reduction of duties and the same privileges as the most favoured nations. On the outbreak of war in 1793 this treaty was, of course, cancelled.

MANUFACTURES PRIOR TO THE INDUSTRIAL REVOLUTION.—In 1701 the export of woollen goods amounted to £2,000,000, or about a quarter of the whole export trade. The *woollen industry* was carried on in the west of England, the West Riding of Yorkshire, and around Norwich. The *iron industry* was next in importance, though by 1760 it had become a decaying industry. The chief seats of manufacture were the Weald of Sussex, Rotherham in Yorkshire, and Newcastle. The *cotton trade* was insignificant in 1760, being confined to Lancashire, where its headquarters were Manchester and Bolton. At this time not more than 40,000 persons were engaged in it, and the annual value of the manufactures was estimated at £600,000. In 1764 the exports of cotton goods were only one-twentieth of the woollen exports. The *hardware trade* was located chiefly in Sheffield and Birmingham, the latter employing over 50,000 people in 1760. The *hosiery trade* was only in the process of concentration. By 1800 the manufacture of silk hosiery had centred in Derby, that of woollen hosiery in Leicester, though Nottingham had not yet absorbed the cotton hosiery. Linen was an ancient manufacture in England, and had been introduced into Dundee at the beginning of the seventeenth century. It was the chief manufacture of Ireland where it had been further developed by French Protestants, who settled there at the end of the seventeenth century.

THE INDUSTRIAL REVOLUTION.—With the increase of England's power abroad, her internal economic conditions likewise improved. Her manufactures, into which large numbers of capable and skilled workers had flowed in consequence of the repeal of the Edict of Nantes in 1685, advanced rapidly, and from the middle of the eighteenth century they began to assume the character of a factory system with machinery on a large scale. In 1767 Hargreaves invented the spinning jenny; in 1770 Arkwright invented the cotton-spinning machine; in 1780 Cartwright the first mechanical loom, etc. The invention of the steam-engine by James Watt in 1763 brought about a complete revolution in nearly all branches of industry.

Through the practical application of these and numerous other

inventions in the sphere of mechanical and chemical technology, English manufactures rose high above those of all her competitors. The development was especially rapid in the cotton, metallurgical, engineering, mining and ceramic industries. A consequence of the new industries was the rapid rise of such cities as Manchester, Leeds, Halifax, Birmingham, Sheffield, and Glasgow. The principal commercial centre was still located in London, which city developed into the foremost produce and financial centre of the world. Next to London came Bristol and then Liverpool, both of which had important relations with America and the southern European States. Trade was furthered by improvements in roads and in the postal system, as well as by the construction of canals, such as the Bridgewater, and the Grand Trunk Canals.



ARKWRIGHT'S SPINNING MACHINE

With the increase of wealth, capital was accumulated, and as a result the credit system, especially banking and financial transactions, rapidly increased.

Stock Exchange and Financial Transactions. The London Stock Exchange became the centre of the most extensive financial and speculative business. Dealings in Government and other stocks—the English National Debt amounting to 800 millions sterling in 1815—in company shares and other securities became more important than they had ever been hitherto in Amsterdam. These exchange dealings gave rise to a great many fraudulent flotations, such as the South Sea Company, founded in 1711. This company had originally received a charter for the conduct of trade with the western coast of America and later on took over from the Government a portion of the State debts, whereupon the price of its shares rose to a fabulous height.

Suddenly the enterprise collapsed, the company went into bankruptcy with forty million pounds sterling of liabilities. Thousands of families were ruined. On the other hand, the Bank of England, founded in 1694, progressed in a remarkable manner and surmounted every crisis.

TEST PAPER XVII

1. "In the fourteenth century the whole of the external and much of the internal trade of England was in the hands of foreigners." Explain this statement. Trace the steps by which the English acquired control of their own trade.
2. "England in the Tudor period is still primarily a country engaged in agriculture." What conditions gave rise to the subsequent development of manufactures and commerce?
3. When was the Hanseatic League at the zenith of its greatness? How is the decline of its power in England to be accounted for?
4. Describe the opening up of trade between (a) England and Russia, and (b) England and the Levant.
5. Indicate the main stages in the development of the East India Company during the seventeenth and eighteenth centuries.
6. What were the Navigation Acts? Over what period of time were they in force, and what was their object? What effect did they have on English trade?
7. When and from what causes did the rivalry between the English and the Dutch arise? What results did it produce, and when and how did it come to an end?
8. To what extent did England share in the discovery and settlement of the New World?
9. What is meant by the Industrial Revolution? To what financial changes did it lead?

CHAPTER VI

FRANCE

ECONOMIC CONDITION OF FRANCE BEFORE THE TIME OF COLBERT.—Internal unrest and foreign wars, a spendthrift Court and oppressive taxes prevented France from making much progress during the Period of the Great Discoveries. In the second half of the sixteenth century, it was more particularly religious unrest which acted adversely upon the country, so that Henry IV (1589-1610) and his minister, Sully, had great trouble in restoring peace, in bringing order into the existing finances of the State, and in raising the peasant and agricultural class who were undergoing great suffering. During his reign manufactures, trade, and transport were all greatly improved by the construction of roads, canals, and bridges, by improvements in the monetary system, and by measures calculated to benefit shipping. Owing to the confusion in economic policy, which had been inherited from the old town economy, with its local and provincial transport restrictions which resulted in a mistaken revenue system, these reforms did not have an enduring effect during the succeeding decades. Even the efforts of Richelieu and Mazarin, who founded the political supremacy of the French in Europe, permanently broke down the opposition of the aristocracy, brought about the victory of the absolute monarchy, and terminated internal conflict, did not succeed in raising commerce to an appreciably higher level. A new era in this respect was not introduced until the administration of Colbert (1661-1683).

COLBERT—the **Founder of the Mercantile Policy.** As Minister of Finance to Louis XIV (1661-1715) who required an extensive increase of revenue to maintain his expensive Court and to conduct his wars, Colbert, supported by the unlimited power of absolute monarchy, developed a system of State mercantilism in its most varied forms and by this means brought the commerce and manufactures of France into a very flourishing state. In his indefatigable activity to further the nation's industries and to increase the wealth as well as the financial power of the State, Colbert became the principal representative of Mercantilism which, for that reason,

has often been called "Colbertism," and attempts were made to imitate him in almost every European state.

Progress of France under the Influence of Colbert. At that time France was regarded as the model state of Europe; she stood at the head of all continental countries by virtue of her military and financial power, and her flourishing commerce and increasing wealth was greatly envied by other nations. Moreover, she was the undisputed leader of fashion, education, art, science and of society. Paris, with the brilliant Court of Louis XIV, became the intellectual centre of the civilized world, whilst the French language, customs, fashions, and vices found an introduction into the upper circles of all countries. In the first place, the measures of Colbert included a systematic regulation of the customs and finances of the country. With the exception of the newly-acquired provinces, he abolished the internal customs barriers and thereby converted France into a homogeneous commercial unit. He regulated foreign trade by the customs tariff of 1667, imposing heavy duties on the importation of foreign products, stimulating the exportation of home products by the granting of bounties, admitting raw materials into the country free of duty and prohibiting their export, especially in the case of grain. Moreover, he granted loans to certain industries; established state factories; furthered shipbuilding and navigation; entered into commercial treaties with foreign nations; called into existence privileged trading companies; excluded foreigners from the conduct of trade with the colonies; stimulated colonial development; constructed roads and canals and sought to regulate and safeguard commercial intercourse by means of legislation.

Chief Drawbacks to Colbert's Policy. The chief drawbacks to the mercantile policy are to be found in the excessive extension of state interference, the granting of numerous royal privileges and monopolies, the tutelage of private industry, the suppression of private initiative, but principally in the mistaken regulation of dealings in grain with the consequent neglect of agriculture. The effects of these drawbacks did not manifest themselves so much during Colbert's administration as during that of his successors. Nevertheless, this policy cannot be regarded as a favourable one, considering that Louis XIV, who was very extravagant, vain-glorious, an degotistic, did not seek the welfare of France in her internal economic conditions but in external power, and in the

struggle for world domination. The repeal of the Edict of Nantes in 1685 drove hundreds of thousands of her best traders and most useful industrial workers from the country.

The third War of Conquest (1688-1697) and the Spanish War of Succession (1701-1714) exhausted the population, diminished the wealth of the country, and shook the finances of the State to their foundation. In consequence of the wars, agriculture fell into decay and France slowly went backwards as compared with Great Britain in regard to her system of heavy taxation and the development of her manufactures, trade, and navigation. Nor did the subsequent years of peace help France economically, owing to the incapacity of the successors of Louis XIV. Financial strain, in spite of all experiments to mitigate it, became greater and greater.

FINANCIAL SCHEME OF JOHN LAW.—In 1716 the financial system was entrusted to John Law, a Scotsman, who offered to act in an advisory capacity to the Prince Regent after having interested him in his



LAW, THE DON QUIXOTE OF FINANCE

plans. By making use of public credit, he introduced exchange speculation on a huge scale by means of skilful flotations, excessive issue of paper money and questionable financial operations. This led to the bankruptcy of the State in 1720, bringing about a financial crisis which affected the whole economic structure of the country. From that time the finances of France, in spite of constantly increasing taxation, remained in a bad state. Moreover, the mismanagement during the reign of

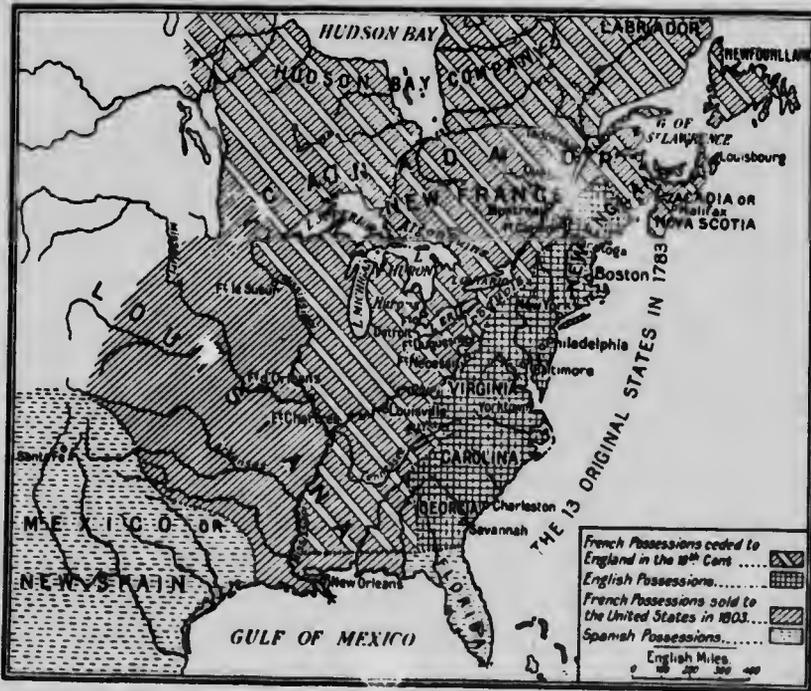
Louis XV, the unsuccessful participation in the Austrian War of Succession, the unfortunate war against England and the participation in the Seven Years' War had a very unfavourable effect upon the country. In spite of all these drawbacks, however, the trade of this rich country continued to increase.

FALL OF MERCANTILISM.—During the second half of the eighteenth century the mercantile system of trade and state regulation was cast aside.

Under the influence of liberal and individualistic ideas spread by the Physiocrats, as also by the doctrines of Adam Smith, the old system of state economy and mutual isolation of peoples was considerably shaken. This change in ideas had already revealed itself in the commercial treaty of 1786 concluded between England and France. In the latter country, where Turgot was the principal representative of the new doctrines, and where for a short time he acted as a Minister of Louis XVI, the consistent execution of all administrative and economic reform was no longer possible, owing to the fact that the Revolution forcibly created a complete change in the existing conditions.

ECONOMIC EFFECTS OF THE FRENCH REVOLUTION.—At one stroke the Revolution sought to translate into reality the ideas of the "equality of man," natural liberty, tolerance, humanism, etc., which had for some time engaged the minds of those who had been striving to abolish the old system, the drawbacks of which were nowhere more obvious than in France. In this manner the Revolution precipitated a number of reforms which, elsewhere under the influence of enlightened absolutism, took place more slowly and at a later time, but for that reason also proved to be more stable. In consequence of the Revolution, the economic life of France, and particularly its commerce, were paralysed for years, and immense damage was inflicted upon it during this period of terrible confusion. Serfdom as well as all feudal imposts and privileges were abolished; the social position of the third and fourth estate was raised; trade was enfranchised and a more equitable distribution of taxation was introduced. On the other hand, however, the terrors of mob rule set in, general insecurity under cruel rulers began to prevail, in addition to tedious warfare and financial stress. In their financial embarrassment, the republic resorted to an excessive issue of paper money (*i.e.*, assignats),

which in 1797 brought about the bankruptcy of the State as well as a far-reaching crisis during which all trade came to a standstill. Intercourse with oversea countries was interrupted in consequence of the naval war against the superior English Fleet, and likewise relations with the rest of Europe became restricted and led to considerable industrial distress. Many wealthy citizens emigrated with their capital.



FRENCH AND ENGLISH COLONIES IN N. AMERICA

THE WORK OF NAPOLEON.—After Napoleon had come into possession of the Government, a more orderly state of affairs began to prevail. He regulated the financial system, created a modern administration, codified the laws, etc. However, his wars imposed heavy burdens on France as well as on all the neighbouring countries which became implicated in these wars. Especially was this the case in regard to the Continental Blockade which Napoleon proclaimed in 1806 as a war measure against England and against which England retaliated by blockading the Continental ports

herself. In this measure great damage was inflicted upon commerce which showed no signs of revival until a decade later. The issue of the Napoleonic Wars finally settled the Anglo-French struggle for world domination. For a long time France was fully occupied with her own internal affairs and with her efforts to recover from the disastrous revolutionary crisis and its evil consequences.

FRENCH COLONIAL EXPANSION.—France, like the rest of the western European nations, took her share in the voyages of discovery, although she started to establish colonies at a comparatively late period. From the beginning of the seventeenth century, Frenchmen, under the auspices of Henry IV, had settled down in Canada and Acadia where they devoted themselves chiefly to hunting and the fur trade, and also founded agricultural colonies. In 1608 they founded Quebec and also took an active part in the fishing operations off the coasts of Newfoundland. Richelieu, Louis XIV, and Colbert were all in favour of colonial enterprise and assisted in its gradual development. Towards the end of the seventeenth century, the French attempted to settle in America in the basin of the Mississippi, in the district which they named Louisiana after their king. In the West Indies they acquired a number of the smaller Antilles; the western half of San Domingo, and in Guiana—Cayenne. They raised the islands of this latter area of colonization to a state of great prosperity by the production of sugar and by the cultivation of coffee.

In India, their efforts at colonization were temporarily very successful, especially under Dupleix, who won great victories for France in that part of the world. Lastly, the French were also very active in Africa; they occupied strips of coast in the west where an African Trading Company settled in 1621. They established flourishing colonies in the islands of Bourbon (Réunion and Île de France, *i.e.*, Mauritius), whereas on the other hand they failed to obtain a firm footing in Madagascar where the warlike inhabitants expelled all strangers.

SUCCESS OF FRENCH COLONIZATION.—The French experienced but little good fortune with the majority of their colonies. Nearly everywhere their settlements excited the jealousy of other colonizing peoples; and chiefly of the English who felt themselves hemmed in, especially by the French enterprises in North America. During the long conflicts for world domination, which took place

between France and England from the seventeenth century onwards, the French lost their best possessions. In the Peace of Utrecht in 1713 they lost Arcadia; in 1763, after the Seven Years' War, Canada and the eastern part of Louisiana were lost to England, and western Louisiana to Spain.

At about the same time the whole of their possessions in India were taken from them by the British, so that they retained only Pondicherry, Chandernagore, and a few factories. The greater portion of their remaining colonies was lost during the Napoleonic Wars. The very profitable settlement in Hayti was ruined in the course of negro risings, which broke out immediately after the French Revolution. In 1803 the last remnants of the French had to vacate the island, in which an independent Negro republic was established.

TEST PAPER XVIII

1. Describe the Government and internal state of France before the time of Colbert.
2. In what ways did the chief statesmen of the seventeenth century strive to promote commerce, manufactures, and colonization?
3. Discuss the economic policy of Louis XIV.
4. Enumerate some of the chief consequences of the commercial policy introduced by Colbert.
5. Account for the failure of John Law's attempts to improve the finances of the French Government.
6. What was the effect of the French Revolution upon the economic and social conditions of the people?
7. Discuss the view that Napoleon's special distinction was as an administrator.
8. Does the history of the period 1715-1815 support the view that wars are generally unprofitable to the nations which embark on them?
9. To what extent, and from what causes, did France fail in her economic and political ambitions, both in Europe and in the Colonial world, in the eighteenth century?

CHAPTER VII

GERMANY

PROSPERITY OF GERMAN COMMERCE DURING THE SIXTEENTH CENTURY.—The great changes of the period of geographical discovery did not have, at first, any disadvantageous consequences upon the prosperous economic system of Germany, which had been established by the wealth and power of the medieval towns. Almost throughout the whole course of the sixteenth century she still remained at the highest level of European civilization, and the population of the towns increased rapidly during this period. Everywhere great opulence was to be observed during the long uninterrupted period of peace. Arts and crafts flourished; the German Renaissance reached its highest state of development, whilst humanism and the Reformation bore witness to great spiritual activity. The German merchants tried to find their way gradually into the changed conditions of the world's trade. They had to reckon with the rising competition of the other European peoples who endeavoured to shake off the Germans and Italians from dominating their trade, and who made one breach after another into the old privileges of the staple. The Hanseatic League, in order to find a substitute for their lost possessions, attempted to discover new ones. They followed the alteration of the centre of gravity of trade in the Netherlands from Bruges to Antwerp, and their voyages to the south, especially to Lisbon and Italy, became more and more frequent. Moreover, their relations to the upper German commercial area became closer, especially in regard to financial transactions. In the east the town of Danzig attained its highest state of prosperity during this period, and in like manner the north-western parts of Germany incurred no immediate disadvantages from the alteration in the direction of the world's trade routes. In consequence, Indian products, which had formerly been carried across Italy and southern Germany down the Rhine, were now carried up the Rhine from Antwerp. In a still higher degree, the more adaptable South Germans were better able to accommodate themselves to the altered conditions than the haughty Hanseatic merchants. Their position as buyers of Indian

products increased in importance since the Italian towns were no longer their only markets, but Lisbon and Antwerp also arose as important markets.

The extensive capital possessed by the Upper German commercial firms enabled them to secure great influence in all trading centres, and, moreover, a new profitable sphere of activity was opened to them by the conduct of financial business. Thus, for instance, the Fuggars and Welsers took a direct part in the Indian spice trade of Spain; they were counted amongst its organizers and tried to gain the support of the Emperor Charles V for their oversea trade and colonizing projects. Hence it was that the sixteenth century became a period of greatest prosperity in Germany. However, the last few decades of this century manifested signs of decay, which were subsequently precipitated in a most thorough manner.

CAUSE OF DECLINE OF GERMAN COMMERCE.—To a large extent, however, the cause of its decline cannot be attributed to the alteration of the direction of the world's trade routes from the old Italian-German route to the west African coastal route. This fact only deprived Germany of her paramount position without necessarily reducing her below the level of the neighbouring countries. Of much greater consequence was the fact that the municipal commercial policy of Germany did not lead to a homogeneous national commercial policy, so that the German merchant received no support from a strong central power although the dawn of mercantilism in the neighbouring countries was loudly calling for it. The most terrible misfortune for the country, however, was the Thirty Years' War with its disastrous consequences.

INTERNAL DISSENSIONS AND THE THIRTY YEARS' WAR.—The decay evinced itself in the most varied domains. The Hanseatic League was expelled from those foreign countries which were becoming increasingly powerful, and even the smaller Scandinavian countries got rid of it towards the end of the sixteenth century, when the League could no longer conceal the weakness of its military power.

Apart from this, the League crumbled up owing to its own internal disputes. Trade was rendered impossible by the absolutely prohibitive customs duties of the numerous territories which opposed each other in rigid egotism and continual feuds. The crafts went

back under the adverse influence of the gild system. The expenditure of the many small princes, whose aims were not so much the pursuit of economic as of fiscal ends, swallowed up the fruits of all legitimate industrial activity.

Religious strife and confessional fanaticism acted detrimentally upon economic life and struck terror into the hearts of the people by the persecution and suppression of Protestants and by the prohibition of scientific research. The Thirty Years' War, which resulted from this religious strife, completely annihilated German civilization. When the Westphalian Peace put a stop to it in 1648, the population had been reduced to one-half its former figure by war, plague, and famine, and the people had become impoverished and reduced to the level of savages. The wealth of the hitherto powerful towns had been destroyed; they had become depopulated and the whole country was devastated. The spiritual life of the people, in addition to the economic, became debased, and for a long time national consciousness remained at a very low ebb. The Baltic Coast of Germany, to a very large extent, passed into foreign hands. The separation of the Netherlands, and with it the best part of the coast of Germany, was ratified by the Peace of Westphalia, and finally the numerous territorial rulers were declared independent. For more than a century German commerce languished and was rendered powerless to fight against foreign competition owing to the catastrophe of the Thirty Years' War.

RECOVERY DURING THE EIGHTEENTH CENTURY.—Later on improvement in these conditions emanated from the territorial rulers who, in a more or less degree, introduced the prevailing system of mercantilism into their country. They strove to equalize the contrast between town and country, abolished the internal customs duties, and in this manner created political units based upon economic and commercial conditions. The drawback to these units was their limited extent and the fact that they were not rounded off geographically but frequently split up and unfavourably situated in regard to the important trade routes. In consequence of these efforts economic conditions gradually improved, especially in the larger and more powerful principalities and under those rulers who did not utilize absolutism solely for the maintenance of extravagant and luxurious Courts, but with a view to improving the economic condition of their subjects. Amongst these

countries the chief position was occupied by Brandenburg, Prussia, and Austria, and the future of Germany was bound up with them.

THE GROWTH OF PRUSSIA DURING THE EIGHTEENTH CENTURY.—Much had already been done in Prussia under Frederick William, the Great Elector (1640-1688), who had learned to value the system of state mercantilism in Holland. He strove to obtain commercial domination in the Baltic, to create a navy, and to found colonies in West Africa. He constructed canals and received the French refugees in his country—the latter being of



BRANDENBURG IN 1640 (ACCESSION OF THE GREAT ELECTOR)

great assistance on account of their industrious character. Owing to the opposition of foreign powers, however, he could not make much headway with his policy. This policy was systematically continued and extended by Frederick William I (1713-1740) and Frederick the Great (1740-1786); under the latter monarch, Prussia in particular experienced a great increase in its power on land. The conditions of transport, especially by the construction of new canals, were greatly improved during the reign of these kings. Industries were strengthened by calling in foreign merchants, by receiving industrious immigrants, by establishing state factories and by an extensive system of protection. In some cases, however, the infant industries which were being fostered were badly



PRUSSIA IN 1786 (DEATH OF FREDERICK THE GREAT)

selected; trade was assisted chiefly by the establishment of companies, which, to a large extent, were state monopolies. Under Frederick the Great the two most important banking institutions of Prussia were established, that is, the Berlin Bank in 1765 and the Sea Trading Company in 1772.

TEST PAPER XIX

1. Account for the great prosperity of German commerce during the first half of the sixteenth century.
2. "The weakness of Germany was not physical. Nor was it economic; German merchants of this period had more free capital, more business ability, and greater energy, than the merchants of any other country. Germany's weakness was political." Estimate the truth of this statement in regard to Germany towards the end of the sixteenth century.
3. What were the economic results in Germany of the Thirty Years' War?
4. Discuss the significance of the work of Frederick the Great of Prussia.

CHAPTER VIII

OTHER COUNTRIES

ITALY.—With the exception of Italy, the commercial history of the rest of Europe up to the end of the eighteenth century nearly everywhere was marked by progressive development, although it was at times interrupted and did not take place at the same rate in all regions. In Italy the course pursued was very similar to that experienced by Germany. Here, too, a retrograde movement failed to manifest itself immediately after the great discoveries, and not until the sixteenth and seventeenth centuries, when in consequence of political disruption and devastating wars at home and abroad did the country begin to sink lower and lower. Emanating from individual states, a slow improvement began in the eighteenth century.

SWITZERLAND.—In Switzerland, which had been separated from the German Empire earlier than the Netherlands, a lively industrial activity set in towards the end of the eighteenth century; in Bâsle and St. Gaul—the silk, cloth and linen industry; in Zurich—the cotton industry; and in Geneva—watchmaking.

RUSSIA.—Russia, during the period under discussion, became consolidated into a community of great political importance by the acquisition of states and the increase of population, but in comparison with the other European countries she remained at a low level of civilization. Efforts to enter into closer relations with the civilized countries of western and central Europe and to increase the productive forces of the country and its trade by the application of modern methods were made especially under Peter the Great (1689-1725) and Catherine II (1762-1796). These efforts were followed by considerable successes, though, in comparison with those of western European peoples, they must be regarded as insignificant.

POLAND.—Poland, which for a long time constituted an important political factor in Europe, could not attain any proper economic development owing to internal mismanagement. As an area for the exportation of agricultural produce, however, Poland played a certain commercial and political rôle.

In **SCANDINAVIA** the commercial position of the Hansa was

replaced in the sixteenth century by that of the Dutch and the English. After this period, however, the northern peoples succeeded in taking their own share in the transport of goods by sea and in international trade.

DENMARK.—Denmark developed at an early period her agriculture, cattle-raising and certain other forms of industry, and in the sixteenth century participated in the establishment of colonies and in the oversea trade. On account of her neutrality during the wars of the eighteenth century, this maritime trade assumed increasing proportions, reaching its zenith when the traffic through Holland and the German Sea ports was paralysed by the wars of the Revolutionary Period. On her refusal to accede to the demand of the English to abandon her neutrality in favour of an alliance with them, they bombarded Copenhagen in violation of the "rights of nations." They took away the Danish fleet and annihilated the commerce of the country.

SWEDEN.—Sweden, in the seventeenth century, by the acquisition of Pomerania and Finland, received a great extension of territory, and at the same time, with the increase of her power in the Baltic, she acquired an important commercial position. She took a share in the world's trade with her ships which sailed as far as India and the West Indies, and which were especially active during the war between England and the North American Colonies. She lost the Baltic Provinces, again, in the eighteenth century.

FINLAND.—In 1809 Finland was incorporated in the Russian Empire and in the wars which she had to wage from 1806-1815 her trade and navigation declined.

NORWAY.—Norway was particularly noted in the eighteenth century for her sea-fishing, timber trade, and for a considerable carrying trade.

TEST PAPER XX

1. Compare the general course of commercial development in Italy and Germany during the sixteenth and seventeenth centuries.
2. Write short notes on the progress of the following countries during the period of Geographical Discovery—
 - (a) Russia.
 - (b) Poland.
 - (c) Denmark.
 - (d) Sweden.
3. What causes contributed to the decline of the power of Venice during the second half of the fifteenth century?
4. What, in your opinion, were the chief difficulties which had to be encountered in the economic expansion of Russia?

SECTION IV

MODERN TIMES

FROM THE CONGRESS OF VIENNA, A.D. 1815, TO THE OUTBREAK
OF THE GREAT EUROPEAN WAR IN A.D. 1914

CHAPTER I

GENERAL SURVEY

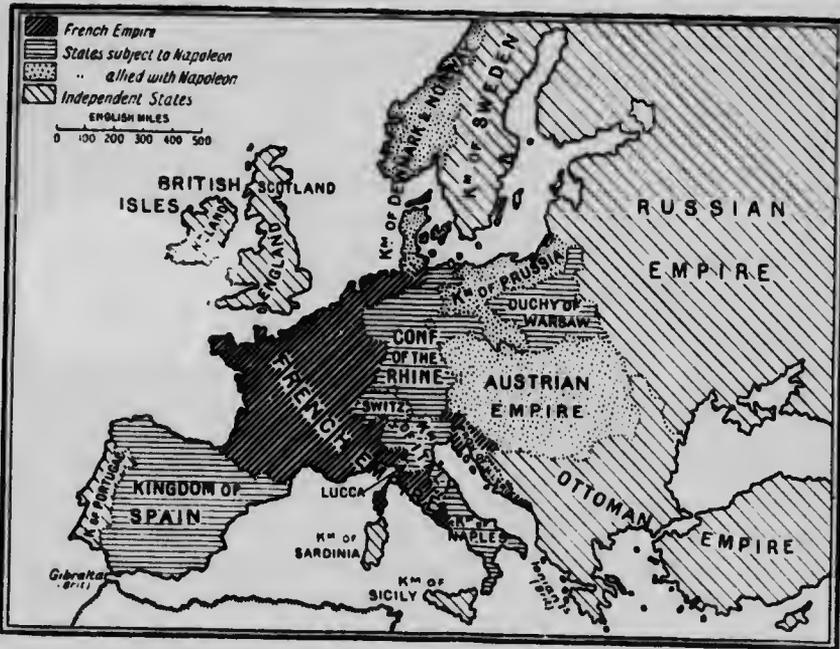
FREEDOM OF THOUGHT AND IMPROVEMENTS IN TECHNIQUE.—In the majority of European countries the ideal of civil and religious liberty, as well as the belief in the equality of man before the law, which had been evolved by the rationalism of the eighteenth century gradually became triumphant; and the large masses of the people were liberated from the numerous legislative restrictions which had weighed them down since the time of the Middle Ages. The introduction of the new spirit of freedom, and the possibility of increased mobility of persons and of goods, afforded the opportunity for the attainment of a higher social status, and this led to the legalizing of the desire to acquire material wealth. These new forces induced men to put forth their greatest efforts both in industrial and in scientific pursuits. In this way the sphere of productive activity was enlarged, and, with the growth of freedom in scientific research, a great impetus was given to the natural sciences, which was followed by great inventions and improvements in technique.

In the sphere of manufactures, trade, and of transport, powerful natural forces were enlisted in the service of man and were used in general to promote economic activity. In this manner, greater progress was effected in a few decades than had been occasioned for many centuries, and this lent this period a certain lustre. At the same time, the new industrial freedom was not without its attendant evils, for it brought with it a ruthless struggle for material wealth, a wider cleavage between employers and employed, and a bitter class warfare.

DEVELOPMENT OF NEW TRADE ROUTES AND WORLD POWER.—Up to the end of the eighteenth century commercial intercourse had been restricted to a few nations; but with the advent of the Industrial Revolution there gradually arose a world trade in which nearly all countries took a part. Districts formerly abandoned now received new life and every corner of the globe was brought into touch with the world market. Hence, some of the main trade routes declined in relative importance, whilst a whole network of new routes was rapidly developed across the continents and seas. During this period the world's trade found its centre of gravity on the Atlantic Ocean; between Europe and the United States in the north, and Africa and Central and South America in the south.

The East India trade, which had been the object of so much strife in former centuries, declined considerably in relative importance, owing to the opening up of so many other markets—especially the European-American, which developed in a much larger measure.

With the completion of the Suez Canal in 1869, the East Indian trade resumed, to some extent, its ancient route through the Mediterranean Sea, so that the latter managed to regain some of its lost importance. On the other hand, the longer, though cheaper, route round the Cape of Good Hope, gradually diminished in relative significance. Considering the mighty increase in trade, it was only natural that it should gravitate more and more towards the United States, Australia, and the far east, instead of, as formerly, being centred exclusively in Europe. Nevertheless, European countries are still the points of departure and arrival of the leading trade routes, and control about two-thirds of the total trade of the world. However, the United States has arisen as a serious competitor to the chief trading countries of Europe. In Europe itself, the balance of power in trade has changed greatly during the course of the nineteenth century. At the end of the wars with France, England had not only maintained her maritime and Colonial power, but had extended it. After the unification of Germany in 1870, this country entered into keen competition with England. France, in spite of her great natural resources and favourable geographical position, has been far outdistanced. Politically, Italy has also become a united state, and has received a new lease of economic life; whilst Austria-Hungary, although still



EUROPE IN 1812



EUROPE AFTER THE CONGRESS OF VIENNA IN 1815

a factor to be reckoned with, has lost much of its former prestige. In eastern Europe, Russia has developed into a colossal empire, and has extended her territory across Siberia and almost to the borders of India. In the far east, however, she has met a dangerous opponent to her aspirations of expansion in the shape of Japan.

In addition to the changes already alluded to, the period of individualism was further characterized by a large increase in circulating capital, far-reaching changes in the credit system, the transformation of the state economy into a world economy, and numerous other changes in the industrial life of the people.

POLITICAL EVENTS.—The political events, under which were affected the changes in the international spheres of influence already mentioned, were of comparatively small importance compared with the transformation in economic conditions. From 1809 to 1812 Napoleon had been virtual master of the Continent, and in the latter year his territorial conquests reached their greatest extent. (See map, page 183.) Still insatiable, however, he undertook in 1812 the invasion of Russia, which had refused to maintain the Continental system, and which perhaps offered him a road to the east, which he had always desired. At Leipsic in 1813 Napoleon was utterly defeated by the Russians, Prussians, and Austrians, and this was the death-blow to his vast schemes. The Allies entered France, and took Paris. Napoleon abdicated in 1814, and was allowed to retire to the island of Elba. The Congress of Vienna met in 1815, and formed the Germanic Confederation, with the Emperor of Austria as President. Lombardy, Milan, and Venice were annexed to Austria, which also became the protector of Tuscany, Lucca, and the other States of Northern Italy. Sardinia recovered Piedmont and Savoy, which had been annexed to France in 1801. The King of Sicily recovered Naples. The Congress of Vienna may be regarded as the furthest point reached by the reaction against revolutionary ideas which was led by the monarchies of Europe. With it, however, there came for most European states an era of peace which enabled the various peoples to recover and renew their strength. During this period international competition centred less upon questions of foreign policy than upon achievements of an economic and social nature.

The progress in this domain was not materially interrupted

during the first few decades of the nineteenth century by the occurrence of such disturbances as the Russo-Turkish War, the Civil War in Spain, the Wars of Liberation in Greece, Belgium, and Poland, the political unrest of 1848, the Crimean War of 1854, the Italian Wars of 1848 and 1859, the American Civil War of 1861-1865, the Austro-German War of 1866, and the Franco-German War of 1870-1871. The unification of Italy and Germany into national State Systems was of the greatest advantage both politically and economically. The lengthy era of peace which set in after 1870 was not again interrupted by wars until the end of the nineteenth and beginning of the twentieth century, when there broke out the wars between China and Japan (1894-1895), the Greco-Turkish War of 1897, the Spanish American War of 1898, the South African War, 1899-1902, the troubles in China from 1900-1901, and the Russo-Japanese War in 1904-1905. The danger of war during the years of the twentieth century became very much greater than during the preceding generation owing to the economic policy of the Great Powers which once more assumed the character of a kind of mercantilism. From 1899 onwards attempts were made to stop this tendency by the holding of peace congresses, although these did not succeed in averting the outbreak of the Great European War in 1914.

CHANGES IN INTERNAL POLITICAL RELATIONS.—More-reaching economically than the international complications were the changes in internal political conditions of the various countries during the nineteenth century. Just as the United States of America had developed into a purely republican state, and the French Revolution had broken down the ancient class privileges, so the principle of human equality extended rapidly to other civilized states. In the latter countries, however, reforms were effected, not by a Revolution of terror as in France, but in a more peaceful manner. Thanks to the activity of enlightened princes, liberal ideas in many places overcame the reactionary aims which began to oppose themselves after the Restoration, and finally assumed their greatest development after the rising of 1848.

The place of absolutism was in many cases taken by Constitutional Government and the people began to participate in legislation and to exert an influence on the administration of the state.

THE INFLUENCE OF "LAISSEZ FAIRE" ON ECONOMIC CONDITIONS.—The spread of liberal ideas wrought even greater changes in the economic and social conditions than had been effected in internal political relations. The doctrines of economic individualism, such as had been advocated by the Physiocrats and Adam Smith, were gradually translated into practice and slowly transformed the older conditions.

Instead of the former excess of state interference, economic forces were now allowed full play and the regulation of the whole economic life of the state, according to natural law, was expected from this liberal competitive system. It was believed that the application of this new principle would produce much better results than the former system officially fostered by the state.

As in a natural law and a natural product, it was considered that a natural economy was the best guarantee for the harmonious working of social and economic conditions, and the safeguarding of the individual interests in production was calculated to serve the best interest of the state as a whole. According to this new theory the sole function of the state was the protection of the personal liberty of the individual and his property whilst, on the other hand, the state was not supposed to interfere with the economic activity of the community. Along with these ideas the mercantile theory with its exaggerated estimate of the value of foreign trade, its fallacious view that manufactures were the source of all wealth and that the increase of the population should be stimulated by the state, now fell into abeyance.

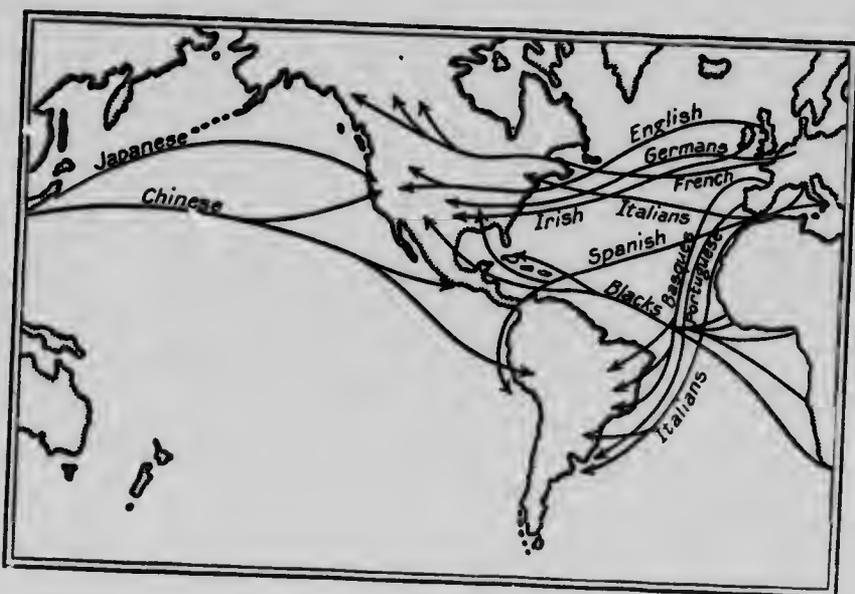
On the other hand, labour as a factor in production received its due recognition. Agriculture, manufactures and commerce were henceforth regarded as of equal importance in the economic system, whilst the development of the population was left to itself as much as possible.

REACTION AGAINST "LAISSEZ FAIRE."—In the actual course of events, that which was predicted for economic liberalism was only partly realized. The part realized was the anticipated acceleration of economic and technical progress, a remarkable increase in production, a huge augmentation of the amount consumed and a rapid growth of population. In these changes, a more far-reaching development took place than had ever previously been witnessed. The old obstacles having been removed, everybody

was at liberty to select his own vocation and to utilize freely his talents and energies. The dogma of liberalism, that a more equitable distribution of wealth would result and that the greatest number of men would enjoy the greatest happiness, was not realized. However, wide circles of the middle classes attained to a higher social position, but the class consisting of small employers, who were expected to form the basis of the social edifice, diminished in importance in the open competitive strife, whilst the large undertakings, constantly growing in dimensions and engaging large numbers of wage-earners, monopolized the chief spheres of production.

It soon became evident that unrestricted economic freedom implied the rule of the stronger, and that, in spite of the legal equality of man, greater contrasts in their economic and social conditions had been created, so that large masses of the proletariat began to oppose themselves against the decreasing middle classes on the one hand and against the comparatively small upper class of capitalists on the other. In this manner acute social and labour problems arose which demanded an urgent solution. The inevitable social defects entailed by the free play of economic forces soon called forth a strong reaction against liberalism by giving rise to collectivism. For some time the principles of individualistic and collectivist economic policy contested each other. At first socialistic and communistic views were advanced, and met with very little success, but during the latter decades of the nineteenth century a more practical collectivist policy was assumed which aimed at the protection of labour, the provision of workmen's insurance, and many other measures for the improvement of the conditions of the working classes. In England voluntary institutions arose for the advancement of the position of labour (trade unions, friendly societies, etc.), whilst in Germany similar efforts emanated from the state. In like manner, employers saw themselves forced to accept the view that, in the face of unrestricted competition, combination would be more useful to them than open competitive strife, and for this reason they founded associations for the protection of their own interests in the shape of rings, combines, cartels, syndicates and trusts, and thus tried to regulate competition among themselves. Chiefly in America and in Germany these combinations attained great power, whilst in England they failed to make much headway.

Finally the economic activity of the state, especially in trade and transport, experienced a great extension. As in the individual states, so the influence of liberalism also began to decline in international competition. After developing in a free trade direction for some decades, commercial policy in most countries began to assume a protective tendency. The zenith of economic liberalism was reached about 1870, and from that time the reactionary tendencies increased and marked the dawn of a new period of mercantilism.



IMMIGRATION INTO AMERICA

GROWTH OF POPULATION.—The population everywhere showed a great increase, and during the nineteenth century amounted in many countries to almost double or treble the original population. Taking Europe as a whole, the population increased from 175,000,000 to 375,000,000. In the United States, the rate of increase was even greater (*i.e.*, from 5,000,000 to 76,000,000); and in several other parts of the New World a great increase took place on account of the immigration of large numbers of people from Europe.

Apart from the United States of America, where immigration

was the chief factor, the growth of the population was greatest in Great Britain and in Germany; and least in France, where the continual decline in the number of births had brought her to a stationary condition. After the middle of the nineteenth century, the Irish population was depleted on account of the wholesale emigration of its people. Before the outbreak of the Great European War of 1914 the most natural increase of population, as measured by the excess of births over deaths, took place in Russia and Germany; to a somewhat smaller degree in England, Austria-Hungary, and Italy; whilst in the United States there was but a slow growth, the increase still being due to immigration. Since the Industrial Revolution there had also been great changes in the density of the population in several countries, where large towns have arisen as centres of commerce and manufactures.

AGRICULTURE.—With the rapid development of industrialization, there has been a decline in the relative importance of agriculture. The leading country in this change from agriculture to manufactures was England.

In 1800 as many as 40 per cent. of the English people were engaged in agricultural pursuits, whereas in 1914 only about 13 per cent. were so occupied, the remainder being dependent on manufactures, trade and transport, and several other employments.

In Germany, about 27 per cent. of the population were dependent on agriculture before the war, as compared with 70 per cent. in 1800. Hence it will be seen that the process of industrialization had been in operation, in a large measure, in that country, although agriculture retained a relatively more important position than was the case in England. In spite of the rapidly growing importance of manufactures, however, agriculture in general did not manifest any retrograde movement; but, on the contrary, it experienced a very marked development during the period.

The liberation of the peasantry from their feudal position had a most salutary influence on the agriculture of many European countries. Henceforth, the peasant was able to devote his whole energy to the cultivation of the soil, and reaped in person the fruits of his own labour, instead of solely benefiting the landlord as before.

In England, the peasantry had already gained their freedom as

early as the fifteenth and sixteenth centuries, although the establishment of large estates at the expense of the small yeoman farmers acted detrimentally upon agriculture. At the Revolution, France abolished at one stroke all feudal rights; whereas in Germany and Austria the transition took place more slowly by legislative enactment, which lasted up to 1848, when the peasants were finally enfranchised. In Russia the Czar, Alexander II, declared the personal freedom of the peasants in 1861; whilst outside Europe, especially in America, the emancipation of slavery forms the counterpart of the European developments in this direction. Other factors which were of great importance in assisting the progress of agriculture were the abolition of ancient methods of cultivation, such as the three-field system, in favour of more intensive methods; the introduction of new crops; the application of new and more scientific methods of fertilization; the improvement in the means of transport; and the development of a system of agricultural credit and of co-operation. The combination of all these factors helped to raise agriculture to a high state of perfection. The output of agricultural produce was not only increased enormously but the general standard of comfort was also raised as a consequence.

It was only natural that these changes in agriculture did not take place without temporary reactions in the various countries concerned. Indeed, the state of agriculture in western and central Europe during the decade from 1870-1880 assumed a rather critical aspect on account of the enormous increase in the production of cereals in North and South America, India, Australia, Russia, and the Balkan States. These countries, being favoured by more advantageous conditions of cultivation and improved transport facilities, were able to dispose of their surplus produce in western Europe at extremely low prices. Hence, a serious competition arose, especially in Germany, France, and Austria, which ultimately resulted in a permanent fall in the price of agricultural produce, together with an increased dearth of agricultural labourers. It was largely with a desire to mitigate this prevailing state of depression that most European countries were led to protect themselves by the imposition of increased duties on imported grain and other produce, and by a general resort to protection.

MANUFACTURES.—Although the changes in agriculture were very far-reaching, they could not compare with the transformation



MAP SHOWING DISTRIBUTION OF POPULATION IN 1914

in the technique of production and in the industrial methods which was taking place in manufactures. Physical effort was supplanted by machine power and manual labour by complicated machinery, the output of goods being increased a thousandfold. This development began in the cotton industry with the introduction of mechanical spinning and weaving machines, invented by Hargreaves, Arkwright, Crompton, Cartwright (1787), and Jacquard (in 1801). The factories devoted to the production of textiles were worked first by horse-power, then by water or wind power and, after the invention of the steam-engine by James Watt, by steam-power. Since the latter half of the nineteenth century, electricity has also been applied. Gradually the factory system, with its elaborate machinery, was extended to other branches of manufacture, such as the making of pottery, metal, paper, wood, and leather goods, etc. In all directions, new inventions were being made and practically applied. Achievements formerly considered impossible were now rendered easy of accomplishment; and goods at one time produced by hand labour were now turned out by machinery more easily, quicker, and in far larger quantities. Especially striking was the progress made in engineering, coal and iron mining—each of these branches of production playing a fundamental part in the modern system of industry.

Alongside the improvements made in the mechanical industries, new channels of production were opened up by important inventions made in the sphere of chemistry. Scientific research was everywhere pressed into the service of production, and thus led to further progress. In England this development began as far back as the middle of the eighteenth century; in France it took place during the first half of the nineteenth century; and in Germany and the United States during the second half of the nineteenth century. Towards the end of the nineteenth century the factory system of production was also introduced into Austria, Italy, Japan, and India.

During the last century, industrial development was most marked in Great Britain, Germany and the United States; and, previous to the war, the two last named countries were not only catching up to Great Britain in certain branches of industry but already were beginning to surpass her.

The immediate result of the Industrial Revolution was a

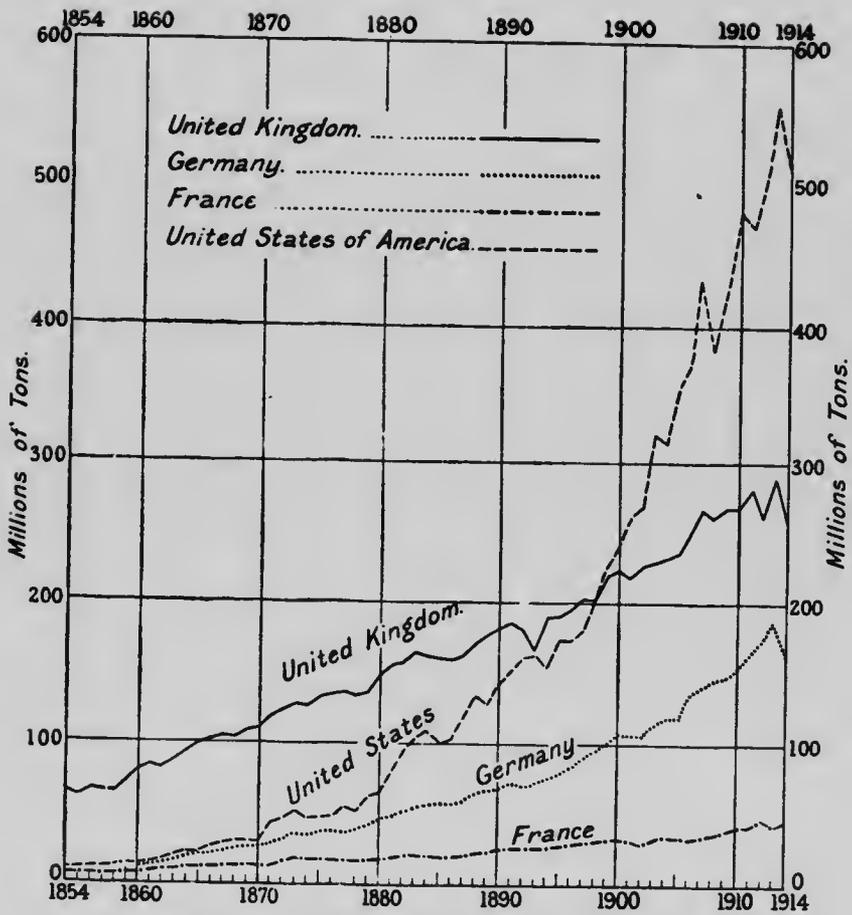


CHART SHOWING THE PRODUCTION OF COAL IN THE LEADING COMMERCIAL COUNTRIES FROM 1854 TO 1914

tremendously increased output followed by an increased demand, since the poorer classes could now enter the market as purchasers to a greater extent than had formerly been the case.

PRODUCTION OF RAW MATERIALS.—The extent of the increased output is best seen from a study of the statistics of consumption of the most important raw materials. For example, in 1875 Great Britain mined nearly half of the total output of coal, whilst Germany and the United States each produced about one-sixth. To-day only one quarter is mined in Great Britain; in Germany, one-fifth; and in the United States, two-fifths of the total consumption. Again, whereas in 1875 Great Britain supplied about one-half of the total output of pig-iron, and Germany and the United States each about one-seventh, in 1895 these three countries each produced about equal quantities; and subsequently Great Britain was surpassed by the other two countries, and especially by the United States, which now produces about two-fifths of the total world supply. Another one-fifth is produced by Germany, and only a little over one-sixth by Great Britain.

A further great important consequence of modern industrial development has been the establishment of large-scale undertakings and the abolition of the domestic system of manufactures. On the one hand, the progress in technique demanded costly plant and a large capital; whilst, on the other hand, such large establishments, on account of their cheaper machine power, better organization, and increased output, offered numerous advantages over the old forms of small-scale production. Thus, at the present time, the tendency in industry is towards the establishment of larger and larger undertakings, which, in many cases, has led to the creation of rings, syndicates, and trusts. Hence, in the face of such competition, small-scale undertakings have been compelled to limit their operations to certain restricted branches of production.

Both in the small and in the large-scale undertakings, the operative class became sharply separated from the capitalist, and employing classes, and were economically helpless to improve their position. They therefore endeavoured, at first, to alter their conditions by revolutionary movements, as in the case of the Chartist Movement in England or through Government interference, as in the case of social democracy in Germany. Later on, the workers in various industries combined themselves into trade

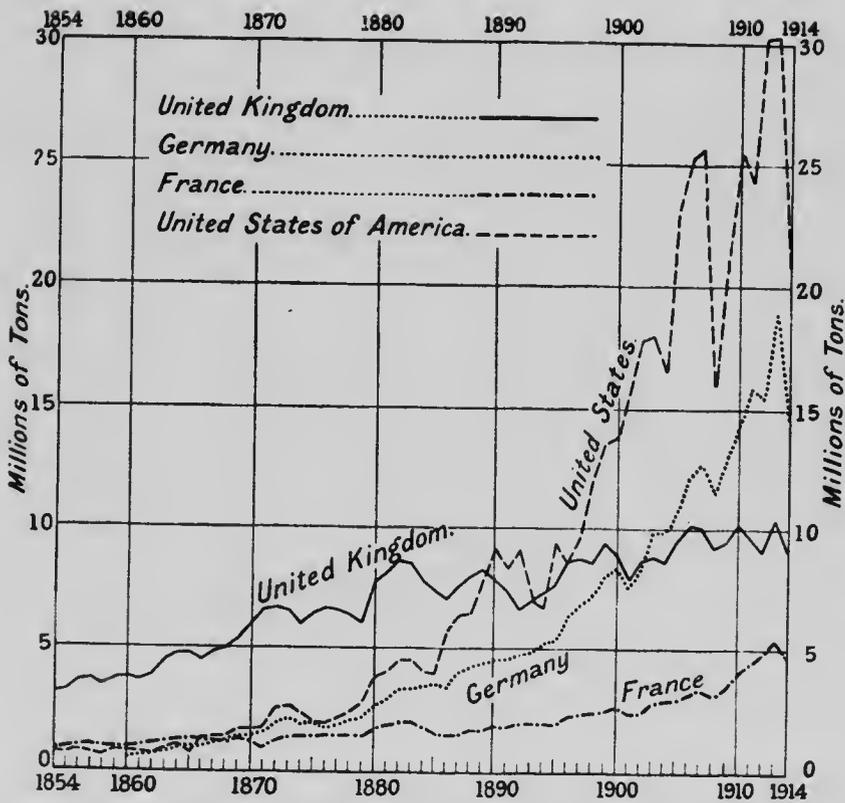


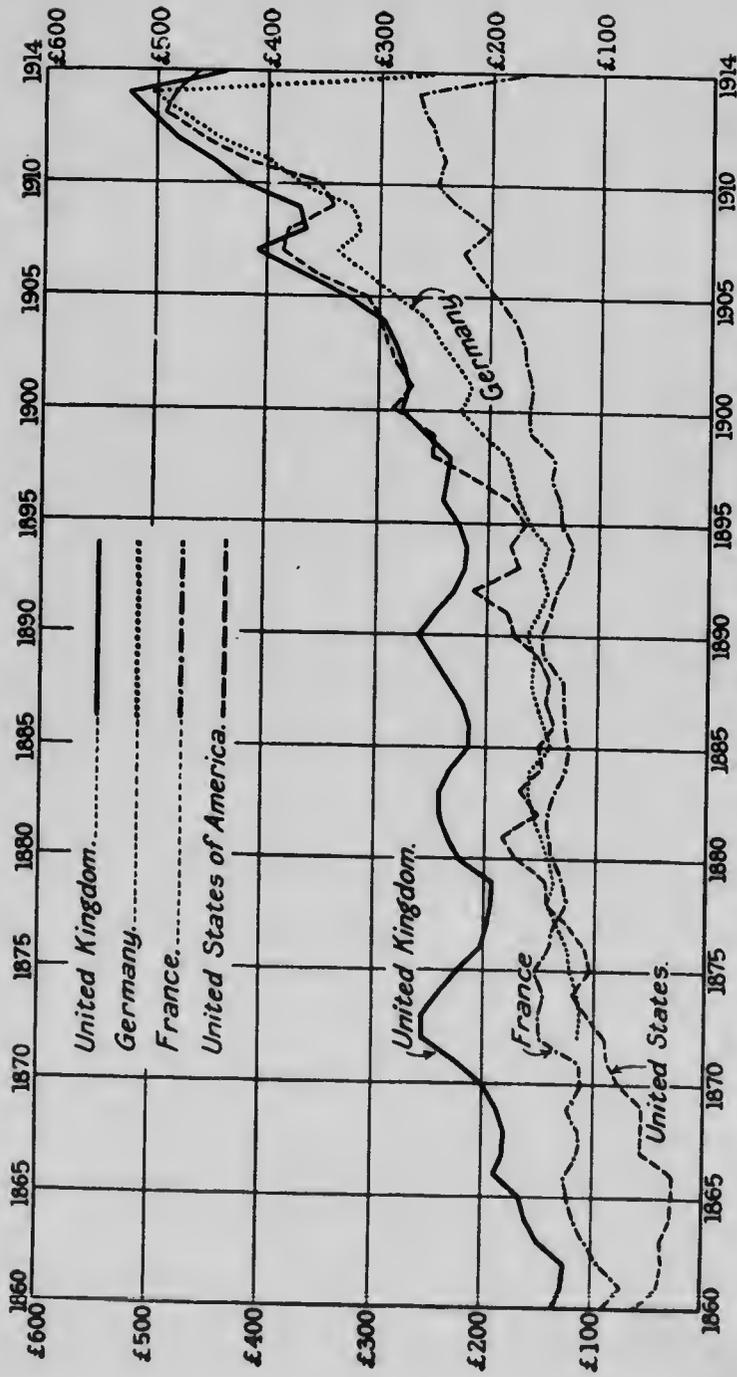
CHART SHOWING THE PRODUCTION OF PIG-IRON IN THE LEADING COMMERCIAL COUNTRIES FROM 1854 TO 1914

unions with the object of mutually supporting each other in case of sickness or unemployment, and also to enforce, by means of strikes, their demands for increased wages. Finally, the state came to the assistance of the workers by the introduction of legislation concerning Workmen's Compensation, thus endeavouring to solve the labour problem which had assumed so grave an aspect by the end of the nineteenth century.

IMPROVEMENTS IN TRANSPORT.—One of the most important factors in the transformation of modern industry is the improvement in the means of transportation. Modern transport facilities have enabled manufactures to become independent (locally) of the sources of raw material. Formerly, on account of the heavy cost of transport, the preliminary processes of manufacture were undertaken in the country where the raw material was produced, but this is no longer the case. The raw materials are now transported from distant countries, manufactured into finished articles, and then re-exported to their country of origin. Thus, manufactures have become localized to a high degree, and whole districts are now covered by factories which import raw materials from all parts of the world and re-export their manufactured products in all directions. For the supply of food-stuffs England depends for three-fourths of her consumption upon foreign countries, since she has devoted her own energies more and more to manufactures and commerce. Likewise Germany had also progressed far in this direction before the war, for she obtained about one-fifth of her consumption of cereals, about one-twentieth of her meat, and considerable quantities of other food-stuffs and raw materials from foreign countries. A similar tendency can also be observed in the trade of many other countries.

GROWTH OF COMMERCIAL ACTIVITY.—Naturally, the local and international division of employments which was occasioned by this development necessitated a tremendous increase in commercial activity. Other causes which helped to increase the world's trade were the opening up of new sources of supply of raw materials and of markets for the finished products, the rapid growth of the population of most civilized countries, the increase in production and consumption, the improved means of communication, and the introduction of many new articles of general consumption.

At the outbreak of the war, the most important commercial



EXPORTS OF THE LEADING COMMERCIAL COUNTRIES FROM 1860 TO 1914
 (IN MILLIONS OF POUNDS STERLING)

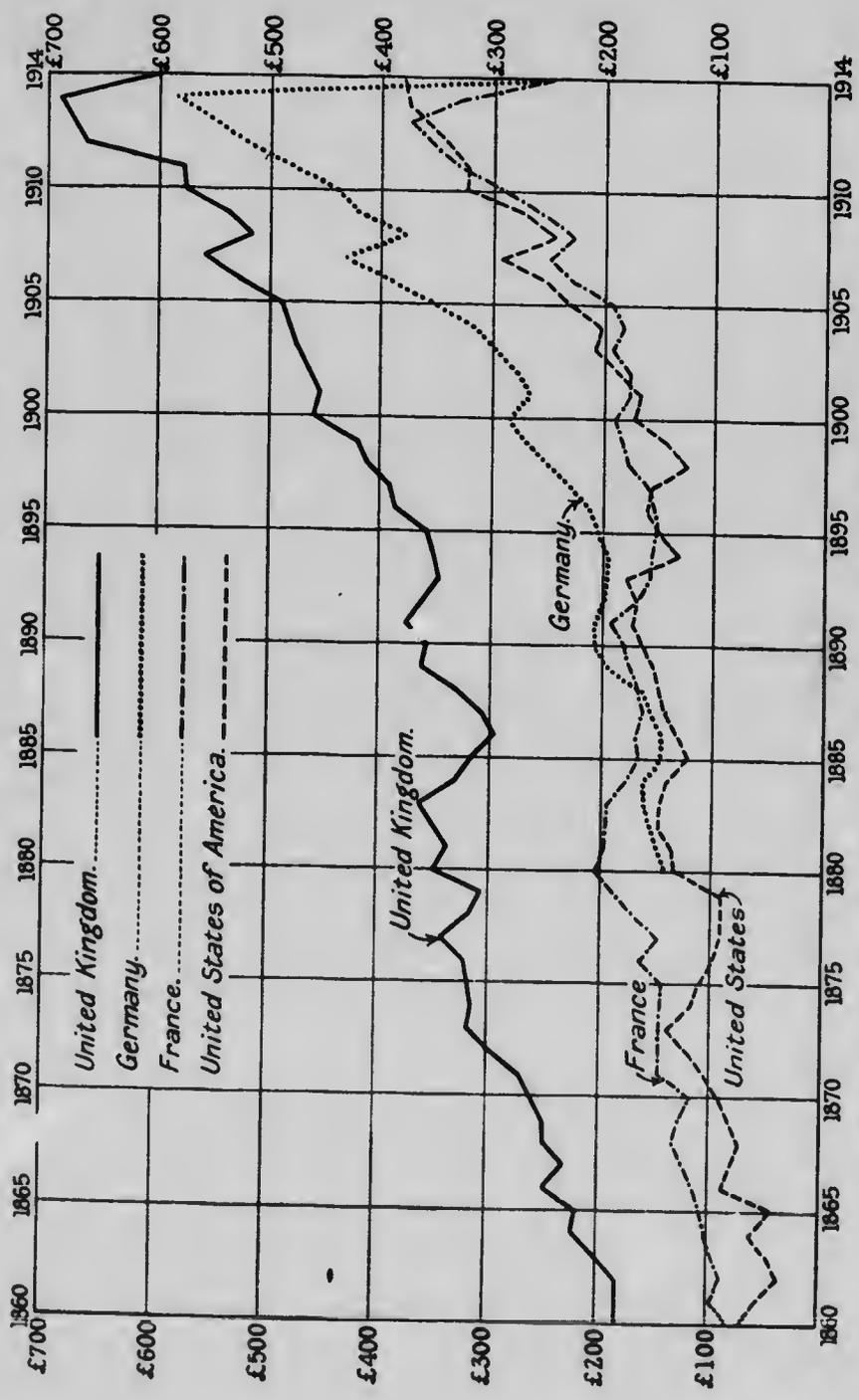
countries according to their turnover were Great Britain, Germany, the United States, France, Holland, Belgium, Switzerland, Russia, Austria-Hungary, India, Australia, China and Japan, the other countries of the world occupying comparatively unimportant positions. The relative proportion of international trade done by the various nations has changed materially during the last hundred years owing to the advent of several new competitors in the world's markets in addition to Great Britain and France. Both Germany and the United States have met with a large measure of success in this competition for foreign markets, whilst the share of France and England has gradually become smaller in proportion.

COMMODITIES OF COMMERCE.—In addition to articles of former production, a large number of other commodities hitherto only accessible to the rich, were brought into everyday use amongst the masses of the people. Among these may be mentioned sugar, coffee, rice, and tobacco; whilst, owing to the improvements in transit, many commodities became important objects of international exchange. For instance, in supplying the labourer's family with food and clothing, nearly every country of the world now takes a part. Russia, Canada, or the Argentine supply the wheat; India, rice and spices; Brazil, coffee; the United States or Egypt, cotton; Australia, wool; South America, shoe leather, etc.

The first place in the world's trade in raw products was formerly taken by cotton, but for the last few decades grain has supplanted it. The turnover of the latter commodity now constitutes a tenth part of the entire trade of the world. Besides cotton and grain, the principal commodities which enter into international trade are meat, sugar, coffee, tea, cocoa, tobacco, wool, iron, and oil.

The increase of exchange, however, was not confined to international trade, but it also manifested itself in the home trade in the intercourse between town and country, or between the various provinces or counties of the same country. Thus the importance of trade within individual states developed rapidly, and became the means of livelihood for a large section of the population. Thus "industrialization" was followed by "commercialization."

CHANGES IN THE TECHNIQUE OF TRADE.—In a similar manner, great changes are to be observed in the forms of trade. In a large measure, the older methods of hawking and the holding of periodical fairs began to diminish; whereas wholesale warehousing



IMPORTS OF THE LEADING COMMERCIAL COUNTRIES FROM 1860 TO 1914
(IN MILLIONS OF POUNDS STERLING)

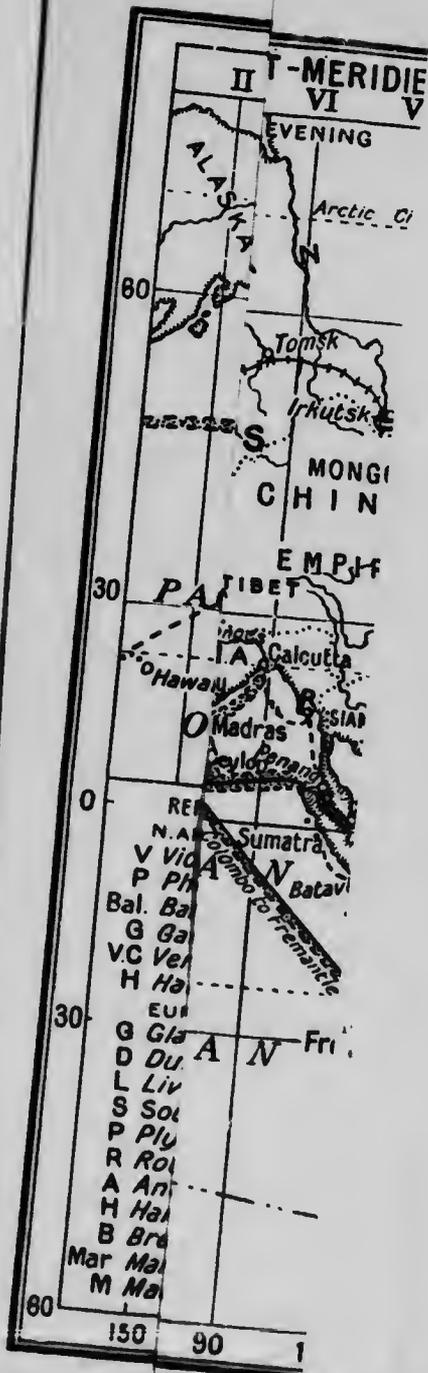
and the retail shop-keeping, organized exchange dealings, and trade on commission, etc., became the predominant types under a far-reaching system of division of labour.

As in manufactures, the process of concentration manifested itself more and more in trade, first of all, in the wholesale trade, but subsequently in retail trade, where large-scale undertakings—such as bazaars, departmental stores, mail-order businesses, etc.—began to encroach upon the sphere of activity formerly held by the small retailer.

This tendency towards trading on a large scale accentuated, in many branches of the retail trade, the distress which had already been caused by overcrowding. Naturally, the small traders made an appeal to the state for protection, and demanded that the establishment of departmental stores and co-operative undertakings should be held in check and that the itinerant trades be suppressed. This movement received a certain measure of success, and various enactments were made in favour of the small retailer. At the same time, measures were passed to restrict the evils of unfair competition.

MEANS OF COMMUNICATION.—The development of manufactures and of commerce, as has already been mentioned, rested to a large extent on the astonishing increase of services rendered by the modern system of communications. The nineteenth century brought with it railways and steamships, tramways, telegraphs and telephones, great improvements in the postal system; and at the beginning of the twentieth century, electric railways. These modern conveniences accelerated in a remarkable degree the conveyance of goods and passengers by land and sea, as well as the transmission of intelligence and postal information. In a remarkably short period of time the new means of communication spread over the entire globe, bringing into close contact far-distant countries. Mutual relations were extended in an incredible manner, and the whole economic and commercial system of the world was thereby influenced. Invention is still unceasingly at work, as exemplified by the progress of wireless telegraphy and aerial navigation during the last few years, whilst the general system of communications has assumed gigantic dimensions.

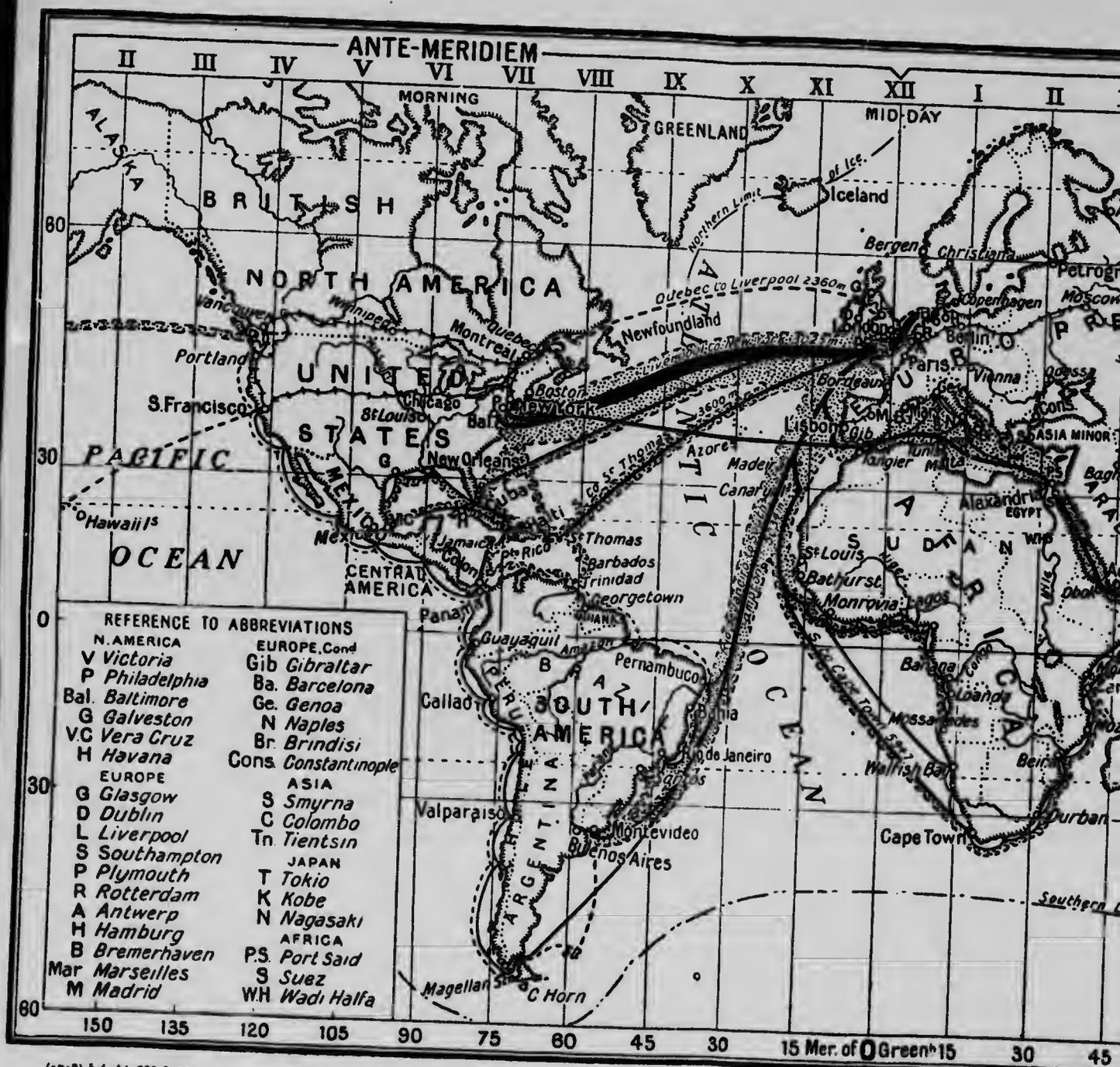
Transport undertakings developed into large branches of production, and an enormous amount of capital was invested in them.



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COMMUNICATIONS

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Formerly it was left to private enterprise to develop these institutions; but of late years several states have begun to take over their control, partly for financial reasons and partly in the interests of the community. Thus, in Austria-Hungary, Russia, Italy, and Belgium a system of state railways has been introduced whereas



LONDON BEFORE THE MOTOR BUS

in the United States, in England and in France, railways are still conducted by means of private capital. The postal and telegraphic systems in nearly all countries have been established or acquired by the governments, although sea transport is everywhere in the hands of private enterprise.

Among the most important landmarks in the history of the

world's transport may be mentioned the formation of the International Postal Union in 1874 and the construction of the Suez Canal in 1869. The latter was of the highest importance in the development of trade between Europe and Asia. Moreover, it gave Egypt a most important position in the world's transport, and once more called into importance the ancient cities of Cairo and Alexandria.

MONETARY SYSTEM.—As in the sixteenth and seventeenth centuries, trade and economic life during this period were greatly influenced by important changes in the money economy. During the first half of the nineteenth century, the production of precious metals had remained stationary, or had even diminished, whilst during the second half of the century the production of both gold and silver increased tremendously.

The reason for the sudden increase in the output of the precious metals is to be found in the discovery of rich deposits in America, Australia, and Africa, and in the great progress in the methods of working. The principal events were the discovery of the rich gold-fields in California and Australia about the year 1851; in the Transvaal in 1881; of the silver mines in the western states of America, in Mexico, and in South America.

The effect of this large supply of precious metals on the level of prices, however, was relatively small, on account of the coincident rapid increase of the population. The consumption of precious metals for the purpose of trade increased, and both gold and silver were exported from Europe to the east in an increasing measure. A general rise in the level of prices thus followed the increased output of precious metals during the period. From that time until about the end of the century there was a fall in the general level of prices, due mainly to the great decrease in the cost of production of most goods, to the cheapening of transport, and to the pressure of competition.

In recent years, however, even before the outbreak of the European War, this fall in prices had given place to a general increase.

The most striking effect of the variations in the output of precious metals manifested itself in a considerable fall in the value of silver during the last few decades. For a long time, the ratio between the values of gold and silver was maintained at 15 : 1; but after

1870 it altered to the disadvantage of silver-using countries, so that in 1913 the ratio was 38 : 1.

In addition to the alteration in the output of gold and silver, this condition of affairs was also due to the increase in the consumption of gold for industrial purposes and to the adoption by a number of countries of a gold instead of a silver standard. The consequences of the decrease in the value of silver are revealed chiefly in the depreciation in the value of the silver currency, so that silver-using countries have thus experienced great losses; whilst their exchange rates with gold standard countries have become very unstable. In 1816, England adopted the gold standard in place of the former bi-metallic system; in 1865 France, Italy, Belgium, and Switzerland formed the Latin Monetary Union on a bi-metallic basis, with a ratio of 1 : 15.5 as between gold and silver; and in 1873 it was necessary to put a stop to the free mintage of silver. In the United States of America, the currency policy oscillated greatly; the gold and paper currency first took the place of the bi-metallic system and then the bi-metallic currency was re-established. In 1900 the gold dollar piece became the standard of value, and this formed the basis of the currency.

On the other hand, Germany introduced a gold standard in 1873, Austria in 1893, Japan in 1897, and Russia in the same year. In other countries, too, gold became more and more important.

DEVELOPMENT OF CREDIT.—With the establishment of a large scale system of production, it naturally follows that the credit system must likewise have undergone a similar expansion. Credit did, in fact, become the predominant feature of business transactions. Credit alone made it possible to bring together the enormous capital necessary for the extension of international trade, the installation and carrying on of modern factories, transport and other undertakings on a large scale, in regard to which organization in the form of companies became more prevalent. The extension of the credit system also afforded an opportunity for the investment of the growing savings of the community. At the same time the rate of interest upon capital which had already considerably diminished during preceding centuries now diminished still more; and towards the end of the nineteenth century amounted, in the states of western Europe, to an average rate of about $3\frac{1}{2}$ to $2\frac{1}{2}$ per cent. A general upward movement, however, has been perceptible

of recent years, which has been considerably accelerated by the European War.

GROWTH OF BANKING AND FINANCE.—Again, the banking system has, in reality, only developed to its modern economic importance since the second half of the nineteenth century, since it has become more and more the duty of bankers to regulate the flow of capital. With the improvement in the currency system, the early function of money-changing took a secondary place, and dealings in credit became of first importance. The discounting of bills of exchange, the making of advances against securities, and the keeping of deposit and current accounts, now constitute the principal objects of their activity.

In addition to the large national and state banks, with their special financial and legal privileges, there arose a number of joint-stock banks between 1830-1840, which entered into a lively competition with the private and national banks.

A remarkable development also took place in the establishment of organized stock and produce exchanges.

The importance of the former was due to the great increase in securities representing Government loans, and the large number of shares belonging to railways, banks, and industrial concerns. On the other hand, dealings in commodities on produce exchanges became more and more general. These exchanges fulfilled an important economic function in fixing prices, although the system of speculation which they encouraged entailed many evils.

Finally, the great development of the system of insurance into its present form belongs in a large measure to the nineteenth century. It extended, on the one hand, to almost all branches of industry, and brought within its sphere marine, fire, life, accident, etc.; on the other hand, it assumed unexpected dimensions by the establishment of State insurance against sickness, invalidity, and unemployment.

TEST PAPER XXI

1. "In the thirteenth century trade was inter-municipal; in the seventeenth century it was international; and in the nineteenth century it became world trade." Comment on this statement, giving illustrations.

2. What influence do you ascribe to the doctrine of *laissez faire* on the social and economic conditions of Europe?

3. Trace the rise of the policy of Collectivism in Europe during the last quarter of the nineteenth century.

4. Account for the changes in population of the leading commercial countries during the last sixty years.
5. Outline the general course of agricultural development in Europe during the nineteenth century.
6. What was the "Industrial Revolution"? At what date, and why, did it take place in England, France, and Germany respectively?
7. Compare the output of coal and of pig-iron in England, Germany, and America respectively during the last forty years.
8. Collect the improvements in transport during the nineteenth century with the progress of manufactures.
9. Mention any changes in international trade which have taken place in modern times.
10. To what extent is the rapid development of manufactures and of commerce to be attributed to improvements in the methods of communication?
11. What are the causes that determine the price of goods? Illustrate by referring to the changes that have taken place in the price of silver, india-rubber, sugar, and tea.
12. How has English commercial policy differed from that of other leading commercial countries during the nineteenth century, and what has been the result of this difference?
13. What were the chief commercial crises of the nineteenth century? Point out what causes produced them.
14. Trace the history of, and account for the fluctuations in, the value of gold in modern times.
15. Write a short account of the rise of banking in Western Europe.

CHAPTER II

GREAT BRITAIN AND HER COLONIES

EFFECT OF THE CONTINENTAL BLOCKADE ON ENGLISH TRADE.—The trade of England had naturally suffered to some extent through the Napoleonic Wars and their accompanying circumstances, but even during this period this highly developed country managed to mitigate in some degree the injury received. Having consolidated her mastery of the sea, she endeavoured to annihilate or weaken the foreign navies and fleets and to extend her oversea connections to India and South America, and conducted on a large scale a smuggling trade with Germany and Spain *via* Hamburg and Gibraltar respectively.

Immediately after the termination of the Continental Blockade England tried to take up again her disturbed relations and to throw the masses of finished goods on to the re-opened markets of the Continent. However, after the devastation caused by the war, foreign countries either lacked the means to buy these English goods or else they had adopted measures to keep out the importation of foreign manufactures in order to assist their own infant industries. In England, too, the demand created by the war declined, with the result that prices underwent a considerable reduction. Moreover, the bad harvests of the years 1816-1817 entailed a great rise in the price of food-stuffs, and as a result industrial activity came almost to a complete standstill. An acute trade crisis broke out which reached its zenith in 1819, and after a short recovery in 1825 a further depression in the economic conditions arose which was occasioned by over-production and excessive flotations, especially in oversea enterprises.

In the meantime an important transformation was taking place in the commercial policy of the country. Manufactures and commercial undertakings had now far out-distanced those of all other countries and were no longer in need of artificial protection. In view of this supremacy it appeared more advantageous for England to continue her trade policy on the basis of free trade in the expectation that other states would follow her example and likewise reduce their customs duties. For these reasons a strong

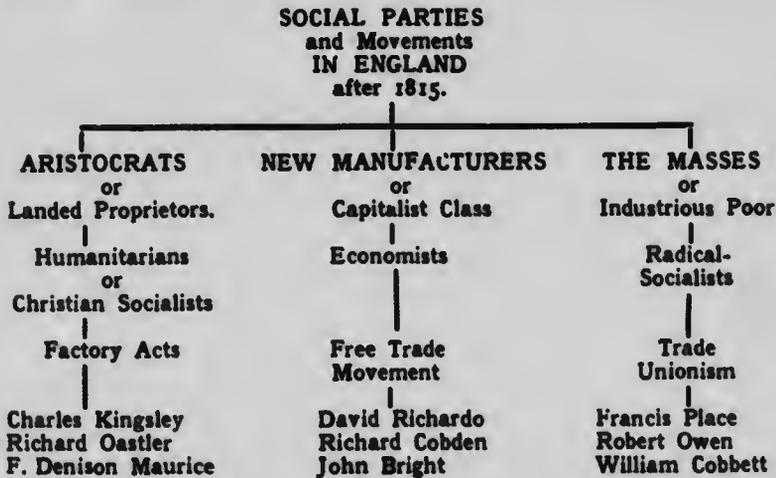
free trade tendency developed amongst the people, and, by the indefatigable activity of public agitation in the press and in Parliament, the former system of protective duties was ultimately abandoned.

SOCIAL PARTIES.—The future of English social life after 1815 lay in the hands of three groups, viz.—

- (1) The aristocrats or landed proprietors;
- (2) The new manufacturers or capitalist class;
- (3) The masses or industrious poor.

Alongside these three large groups there were three smaller ones, which goaded the larger classes into action and inspired their ideas. These smaller groups, which were largely responsible for the trend of social legislation throughout the nineteenth century, were—

- (1) The humanitarians or Christian Socialists, whose policy was largely based upon sentiment.
- (2) The economists—including some of the leading thinkers of the time.
- (3) The Radical-Socialists, who were recruited mainly from the working classes.



The Aristocrats or Landed Proprietors. As a class the landowners had a definite conception of their place in the national economy. They looked upon agriculture as the permanent basis of all wealth, and believed in its comparative importance as compared with manufactures. They also believed themselves to be the guardians

of the poor and the natural directors of the nation, and had a clear idea as to the policy to be pursued. They aimed at the preservation of their own power as a class, the protection of agriculture, which they regarded as the dominant activity of the nation, and the provision of what was necessary for the poor; because, like their ancestors, they believed in the maintenance of a contented and well-fed people as the basis of national well-being. Their policy consisted chiefly in the encouragement of the growth of corn, cattle, wool and other raw materials, and in discouraging the new manufactures. They were opposed to the idea that commerce could be left alone without protection.

The New Manufacturers or Capitalist Class.—The members of this class were even more self-conscious than the landowners, for they were for the most part active and intelligent people. They considered themselves the real wealth producers of the nation, and had a clear conception of their relative importance in the community, and therefore claimed the right to share in the control of affairs, and this they gained in 1832. The theory upheld by them was that of *laissez faire*, according to which nobody was responsible as his brother's keeper, and so they were opposed to the old tradition of the landed interest with regard to their responsibility towards the poor. They knew exactly what they wanted. They desired the multiplication of "hands," cheap corn, and unhindered imports. This policy, although catering for the immediate requirements of the people, failed to bring about a permanent improvement in social well-being, since it was dictated by self-interest. Up to 1850 the creed of this class was that all regulation of industrial affairs must necessarily be pernicious.

The Masses. As a class this group had not yet reached the stage of self-consciousness. As yet, the poorer classes were too disunited to think of a common policy, and suffered considerably from the consequences of the great upheaval following upon the introduction of steam and the great mechanical inventions. It is true there were small groups who were beginning to send petitions to Parliament, but the mass of the working people still remained uncertain as to their real needs. It was not until the development of the Chartist movement (1842-8) that they began to formulate their demands in a definite manner.

THE FREE TRADE MOVEMENT.—As early as 1786 an attempt

had been made to modify the rigidly protective legislation of the eighteenth century. In that year, Pitt concluded a commercial treaty with France, providing for large reductions of duties in both countries. But the treaty was swept away with the outbreak of the Napoleonic Wars, and accordingly the old system of mercantilism was still in force in 1815.

The condition of England at this time was well depicted in an article by Sydney Smith in the *Edinburgh Review* in 1820. "We can inform Brother Jonathan," he writes, "what are the inevitable consequences of being too fond of glory. Taxes upon every article which enters into the mouth or covers the back, or is placed under the foot. Taxes upon everything which it is pleasant to see, hear, feel, smell, or taste. Taxes upon warmth, light, and locomotion. Taxes on everything on earth or under the earth, of everything that comes from abroad or is grown at home. Taxes on the raw material, taxes on every fresh value that is added to it by the industry of man. Taxes on the sauce which pampers man's appetite, and the drug which restores him to health; on the ermine which decorates the judge and the rope which hangs the criminal; on the poor man's salt and the rich man's spice; on the brass nails of the coffin, and the ribbons of the bride; at bed or board, couchant or levant, we must pay. The schoolboy whips his taxed top; the beardless youth manages his taxed horse, with a taxed bridle, on a taxed road; and the dying Englishman, pouring his medicine, which has paid 7 per cent., into a spoon that has paid 15 per cent., flings himself back upon his chintz bed, which has paid 22 per cent. and expires in the arms of an apothecary who has paid a licence of a hundred pounds for the privilege of putting him to death. His whole property is then immediately taxed from 2 to 10 per cent. Besides the probate, large fees are demanded for burying him in the chancel. His virtues are handed down to posterity on taxed marble, and he will then be gathered to his fathers to be taxed no more."

The first stage of this development towards Free Trade was due to the action of Huskisson who, during the years 1824-1826, succeeded in carrying through a series of customs reductions on manufactures, and also abolished several regulations concerning the Navigation Acts. Soon afterwards, attempts to abolish the duties on grain also succeeded. Up to 1750 English agriculture

had been neglected, and, owing to the remarkable development of manufactures, and the rapid increase of the population, the export of grain had ceased, and exportation began to be favoured by the granting of export bounties.

With the cessation of interest in the export of agricultural produce, the Government, under the influence of the large landlords who dominated Parliament, had been compelled to protect the home cultivation of grain by the imposition of high duties on corn, and in 1815 these duties definitely assumed the character of prohibition; when the prices fell below a certain figure the prohibition of imports came automatically into operation.

As a consequence of this system England had such abnormally high corn prices that they exceeded those of the Continent by about one-half. The first reduction of these excessive prices of the most indispensable food-stuffs, under which the working classes experienced great suffering, was introduced in the year 1828 by a small reduction of duties and by the introduction of the so-called **sliding scale**, which lowered the protective duties when corn prices rose at home, and, on the contrary, increased the protective duties when corn prices fell. The effect of this attempt at reform, however, was but very small, and the famous sliding scale, especially, failed to produce the desired results.

It was not until after 1832 that the Whig party, consisting chiefly of large manufacturers and merchants, had carried through the reform of the franchise in their favour that they were able to undermine the principal argument of the Tories in favour of protective duties, and bring about a reform in the poor law. These reforms were carried out after strenuous parliamentary activity by the Whigs lasting for a period of ten years, and after the establishment of the Anti-Corn Law League in 1839. This League started in Manchester and developed a widespread agitation throughout the whole country under the leadership of Cobden and Bright, who soon enlisted public opinion on their side, so that the agitation was converted into a general movement for Free Trade. Nevertheless, it was within the power of a Conservative to carry through the Free Trade reform, and this man was Robert Peel. Between the years 1842 and 1846 he effected the transformation of the entire Customs System together with the inseparable financial reform, according to which he brought about the free

importation of many articles of consumption and the reduction of duty on others. The crisis caused by the famine years of 1846-1847, however, induced Peel to moderate his policy, and no doubt this was to some extent the reason for his retirement. After this, in 1849, the remainder of the Navigation Act was repealed; in 1854 coastal shipping and fishing in the waters connected with Great Britain and her colonies were made free to all nations.

Gladstone therefore continued the reform of the customs system in the same spirit as was manifested by Peel. He carried through the free importation of raw materials and partly manufactured goods in 1853, and completed the establishment of Free Trade in 1860 by the total abolition of duties on manufactured articles. Henceforth duties in England were levied solely for revenue purposes, and were imposed chiefly on goods not absolutely indispensable, which could not be produced in England, such as tea, coffee, cocoa, tobacco, etc. The number of dutiable articles in 1826 still amounted to 1,280; in 1841 it had fallen to 1,052; in 1849 to 515; in 1862 to 113, and in 1886 to 20. The Free Trade policy which was thus begun in 1860 was marked by the conclusion of a commercial treaty between England and France (*i.e.*, the Cobden Treaty) which was followed by a series of similar treaties with other countries. These were very favourable to the Free Trade movement since English products were enabled, in most cases, to receive a better reception among the contracting nations.

REACTION AGAINST FREE TRADE.—However, the expectation that other states would follow the Free Trade policy of England was by no means fulfilled. On the contrary, from 1875 onwards a new wave of highly protectionist feeling swept over the Continent, and in England the opposition to Free Trade once more gained strength. The chief factor in bringing about this reaction was the competition of German and American industries and the progress made by German trade. Shortly after 1880 there set in a protectionist movement under the name of Fair Trade (*i.e.*, customs treatment on the basis of reciprocity instead of the one-sided Free Trade), and subsequently further reactionary steps against Free Trade were taken, such as the Merchandise Marks Acts of 1897, which insisted upon the country of origin being marked upon all goods imported. This measure was directed chiefly against Germany, but instead of branding German goods as was intended,

the mark, "Made in Germany," actually became an advertisement. Moreover, the reactionary movement found expression in the regulation of the importation of cattle, the modification of the revenue duties during the South African War, and in a specially marked degree in the more recent tendency towards Imperialism. Nevertheless, the Protectionist Movement failed to make very much headway amongst the people on account of the fact that the idea of Free Trade had taken too firm a root. Thus, for instance, the campaign which Chamberlain and Balfour conducted against Free Trade ended in the downfall of the Balfour Cabinet in 1905, and the subsequent elections resulted in a brilliant victory for the Free Trade Party, which kept in power until 1914.

GROWTH AND DEVELOPMENT OF FOREIGN TRADE.—

Under this policy of Free Trade, the trade of Great Britain assumed colossal proportions during the nineteenth century.

The greatest advance in the trade turnover of the country took place between 1840-1870. From that time onwards the ratio of increase declined up to the end of the nineteenth century, when it remained behind that of the other great commercial powers, but after 1900 it again became considerably accelerated. A remarkable change took place in the course and direction of English trade owing to the fact that the European Continent, and, later on, also, the United States of America, began to free themselves more and more from their dependence upon English manufactures and entrepôt trade; hence they declined in importance as markets for Great Britain whilst simultaneously the English Colonies and other oversea countries became increasingly important for the British export trade. On the other hand, the imports of Britain from European countries and from the United States increased tremendously.

Towards the middle of the nineteenth century English exports to Europe largely exceeded the imports received from the Continent, whereas to-day the exports of England to Europe do not amount to one-half of her imports.

In regard to various commodities, too, English trade has greatly changed in its composition and character during the nineteenth century. Of considerable importance also was the conversion of the English Balance of Trade from a favourable into an unfavourable one, this latter feature being more marked in the case of Great

Britain than in that of any other country. English imports have thus for a long time exceeded her exports by an amount varying every year between 125 to 175 million pounds sterling. This peculiarity is explained by the fact that in modern commerce material commodities only form a portion of the international exchange of values and that a further large portion is determined by the traffic in precious metals and coin, shipping and marine insurance services, and the payment of interest upon capital invested abroad.

COMMERCIAL CRISES.—After the crisis of 1825, which has already been mentioned, depressions in the economic conditions of the country recurred in the years 1836-9, 1847 and 1873, although they exercised but a temporary influence upon trade; in the eighties and the nineties, however, the depressions were of a more lengthy duration. In 1914, owing to the outbreak of the Great European War, there developed an acute financial crisis which led to the closing of the London Stock Exchange. The continually falling prices brought about a number of failures, and with the increase of currency difficulties the public began to withdraw their savings from the banks. Drastic measures were taken by the Bank of England, and the 4th, 5th, and 6th of August were proclaimed as three special Bank Holidays. Arrangements were then made for the suspension of the Bank Charter Act of 1844, the issue of £1 and 10s. notes by the Government, the temporary authorization of the use of postal orders as legal tender, and the proclamation of a moratorium. The banks re-opened on the 7th August, and the bank rate, which had been raised to 10 per cent., was reduced to 5 per cent.

Internal Development. The influence of the modern labour movement, too, has manifested a comparatively small influence upon the economic development of the nation. The Revolutionary Chartist Movement, which reached its culmination in 1848, quickly subsided, and subsequently the English working-classes managed to improve their position by peaceful trade union action.

Whilst trade unionism has benefited the workers concerned, it is also true that it has given rise to serious economic problems, and, in the opinion of some, the workers' demands in regard to wages and labour conditions have grown to such an extent as to menace the ability of England to compete in the markets of the world. Alongside this unfavourable phenomenon in the recent

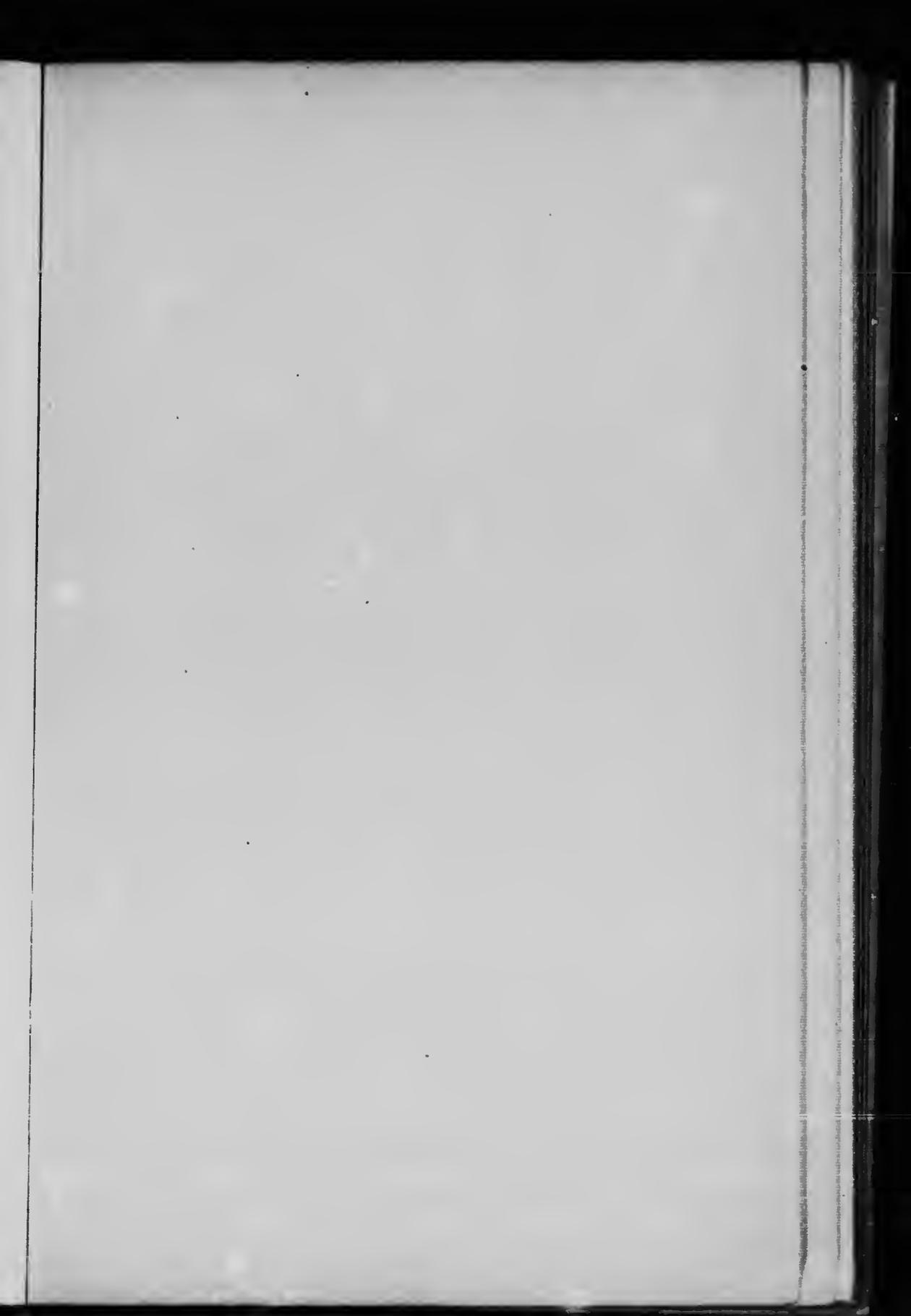
development of England, mention should also be made of her tremendously increased financial burdens which the country has to bear for the upkeep of the Army, the Navy, the Colonial and the national debts which have been accumulating ever since the mercantilist epoch up to the present day. These factors give rise to the question as to how much longer Great Britain will be able to continue her world-wide policy of supremacy which she has been able to maintain up to the present time, largely by virtue of her indisputable domination of the sea.

BRITISH COLONIAL POLICY.—As in her commercial, so also in her colonial policy, Great Britain applied the principle of *laissez*



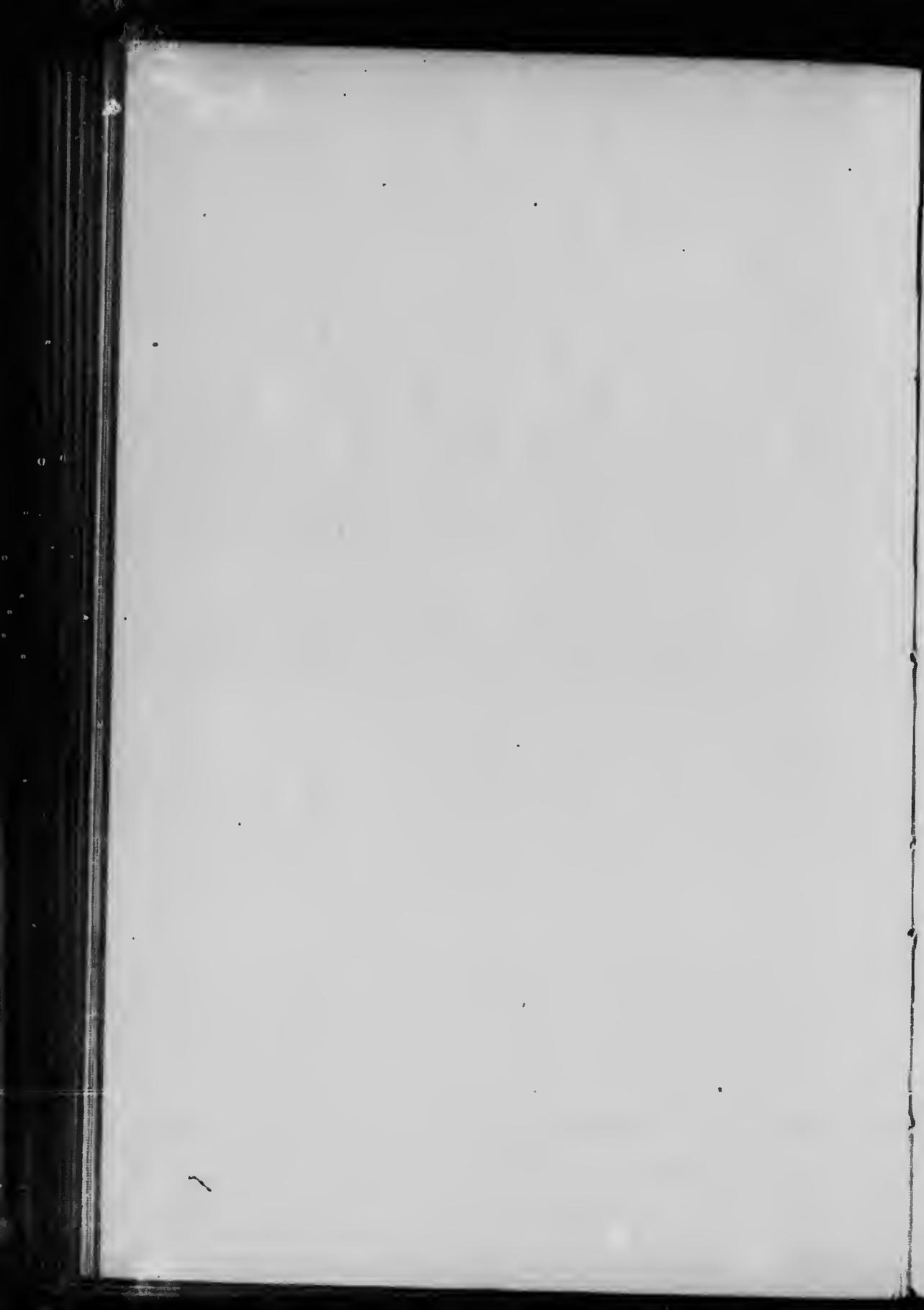
THE BRITISH EMPIRE IN 1815

faire by repealing the Navigation Acts and the abolition, in 1860, of all colonial and differential customs duties, thus placing all foreign nations on an equal footing in the trade with the British Colonies. At first, the Manchester school of politicians regarded the Colonial Empire as nothing more than ballast to the mother country, but this doctrine did not have any appreciable influence





BRITISH EMPIRE IN 1914



on the colonial expansion of Great Britain. In spite of her free trade theory, England did not fail to grasp the opportunity to expand her Colonial Empire, and during the nineteenth century it received an enormous extension.

The relations of the various parts of the Colonial possessions towards the mother country is very varied, though in recent times the homogeneity of the Empire has greatly increased owing to the fact that the Crown Colonies have developed considerably in importance as compared with the self-governing colonies. At the present day England distinguishes three types of possessions

Growth of the Desire for Imperial Unity. In a commercial and political sense the self-governing colonies have gained an almost complete independence during the nineteenth century, and have introduced numerous protective duties not altogether favourable to the mother country. However, before the outbreak of the Great European War a reaction had set in against the independent customs policy of the colonies; this reaction found expression in 1897, for instance, when Canada introduced preferential duties for Great Britain, these being 25 to 33 per cent. lower than the rates for non-British goods.

In addition, New Zealand and several other colonies have accorded preferential duties to the mother country. These measures were based upon imperialistic motives and tended to tighten the bonds uniting Great Britain with her possessions, and have begun to assume a more concrete form in the schemes for Imperial Federation and Colonial Preference. The former of these aims at uniting all the widely separated portions of the Empire into one large British World Empire, forming a political entity whilst the latter merely aims at the closer union of the constituent parts of the Empire into a Zollverein or Customs Union.

BRITISH POSSESSIONS IN THE EAST.—The Indian Empire has so far proved the most valuable British possession, the building up of which was completed in the nineteenth century. Its economic exploitation, which has been carried on in a deliberate manner, has yielded great wealth to the mother country and at the present time forms an important source of revenue for wide circles of the English nation. The gradual conquest of the country by force of arms, as well as the mismanagement of the East India Company, which pursued a ruthless policy of exploitation, helped

to produce the terrible mutiny of the native races in the years 1855 to 1857, and almost led to the loss of the possession. After the suppression of the mutiny, a bill was passed in 1858 (*i.e.*, the India Bill), which took the administration of the country out of the hands of the company and transferred it, together with all its possessions, to the state.

With the introduction of state administration—which was followed in 1876 by the declaration of British India as an Empire—a new era commenced for that country.

British capital, for the construction of railway and telegraph lines and for the improvement of agriculture by the cultivation of new and useful plants, now flowed into the country *en masse*.

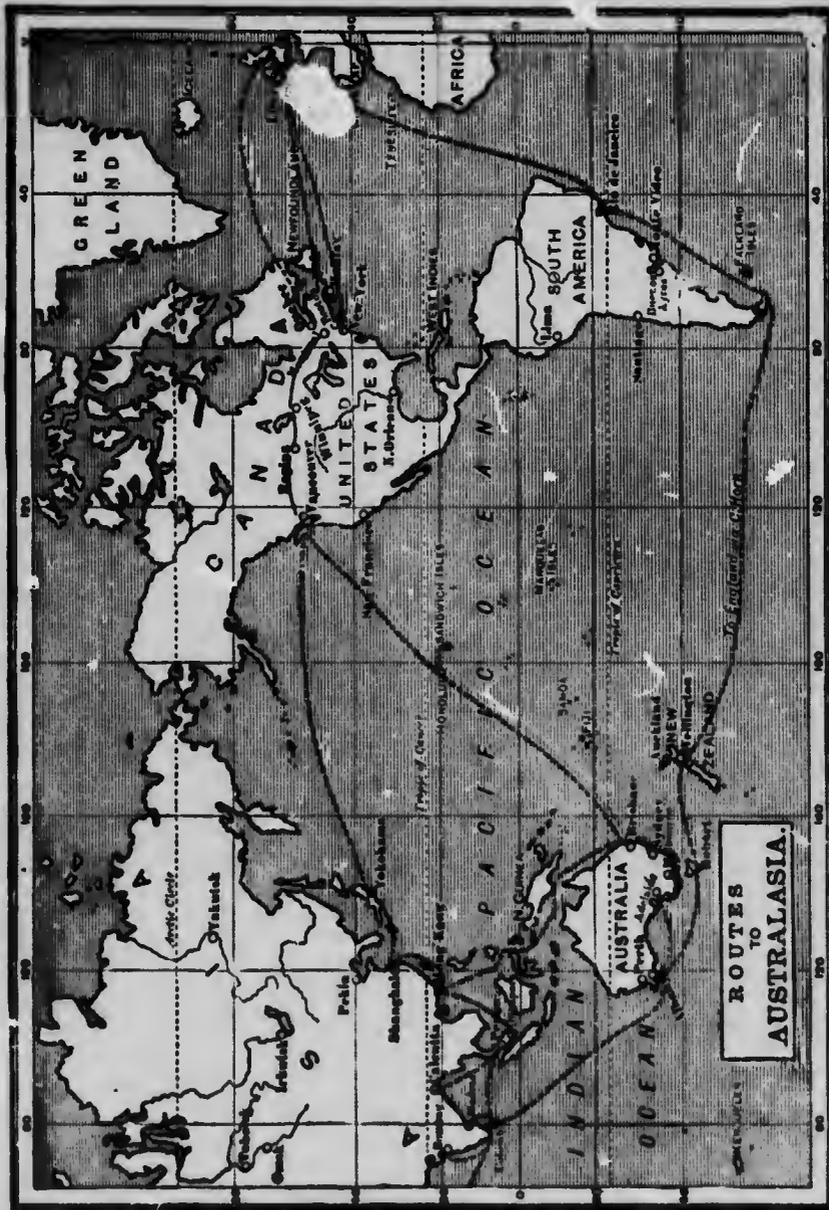
Likewise, in more recent times, Indian industries developed in a remarkable manner. In the Malay Peninsula, where the English have recently obtained a foothold, the north-west coast plays the most important part. At the southern extremity of the Malacca Peninsula, Singapore has risen to a commercial centre of first-rate significance. In addition to these possessions, England has still further extended her sphere of influence in India partly in order to obtain trading stations and partly in order to secure her possessions in a military and naval sense. Thus, in the north of India she has included in her sphere of influence the Himalayan States of Baluchistan and Afghanistan, in order to oppose the advance of Russia, whilst in the south she occupied the Straits Settlements in 1824, Aden in 1838, and Perim in the Straits of Bab-el-Mandeb, in 1857.

By her war with China in 1840-1841, England was able to conduct the opium trade. In 1841 she acquired Hong-Kong, which was subsequently converted into one of the largest ports in the world. Later on, in conjunction with France, she succeeded in opening more and more ports to Europeans and in obtaining commercial privileges. The last British acquisition in China was the port of Wei-hai-Wei in 1898. Japan, too, has opened her ports to foreign countries since 1854. She entered into closer relations with Europe and adopted Western civilization, industry, and science with astonishing facility and great success. England skilfully contrived to consolidate her position in the Far East by entering into an alliance with this rapidly-advancing Power. With the termination of the war between Russia and Japan, this alliance

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was further cemented by the conclusion of a still more far-reaching treaty which stood England in good stead on the outbreak of the Great European War in 1914.

AUSTRALASIAN COLONIES.—In Australia, England, after the discoveries of Cook, founded Sydney, which till 1848 was only used as a place of deportation for convicts. Sheep-farming, which at an early date was introduced into Australia from Cape Colony, laid the foundation for an extensive wool production, and in addition the country furnished valuable products in the shape of wheat, hides, meat, copper, lead, precious stones, and especially gold, of which large deposits of ore were discovered in 1851. With the increase in production the population also grew, and large numbers were attracted into the country in search of gold. In consequence the settlements were extended from the coasts into the interior, and the towns of Melbourne, Adelaide and Port Philip rose into importance alongside the older town of Sydney. Colonization was also carried to New Zealand and Tasmania. In an economic and political respect, Australia, whose states were formed into a "Commonwealth" in 1901, has become renowned chiefly for its measures of a socialistic and protectionist nature.

THE DOMINIONS OF CANADA.—In North America, nearly the whole area from the 49° Northern latitude to the Arctic Sea is in British possession. The oldest portion of this area is formed by Quebec which was taken from the French. In 1867 it was united with the other English possessions into the Dominion of Canada, and was afterwards extended to the Pacific Ocean. In recent years this colony has assumed great importance, especially on account of its exportation of agricultural products, timber, fish, and minerals.

BRITISH CENTRAL AND SOUTH AMERICAN COLONIES.—The West Indian and South American Colonies of Great Britain have declined in importance since the abolition of slavery, for since that time their production of sugar and of coffee has diminished.

BRITISH COLONIES IN AFRICA.—As in the case of Canada and Australia, the English Colonies in Africa were not acquired, in the main, until the nineteenth century. In the year 1806 Cape Colony, which until then had been a Dutch possession, was occupied by the English. In the beginning only a small area belonged to

England, but this was continually extended towards both the north and the east. At the same time the Boers who had settled in the country removed farther and farther afield by going into the interior of the country in order not to be subjected to British rule. Finally, they settled down in the Transvaal and the Orange Free State. The English, however, followed them even there and the more persistently since the Transvaal area had increased immensely in value by the discovery of gold and diamonds. The Boers succeeded in warding off the first attempts at forcible intervention in their affairs, which emanated from Cecil Rhodes and Dr. Jameson in 1895, although soon afterwards, they were subjugated by England in the Boer War of 1899-1902. It was, however, no easy conquest for the British; at first Great Britain met with a number of reverses and was compelled to gather up all her strength to overcome the small army of Boers, who fought with desperate energy for their independence. In addition to Cape Colony, the British have taken possession of important areas on the east and west coast of Africa and have set up their rule in the north—in Egypt—and carried their domination into the interior of the Dark Continent. In the partition of Africa they have managed to secure for themselves the lion's share among the nations of Europe.

TEST PAPER XXII

1. "The Napoleonic War was a factor of great importance in the commercial history of England in the nineteenth century." Explain and comment on this statement, and illustrate the relations of war to industry.
2. Account for the success of the Free Trade movement in England. How far was its success due—
 - (a) to popular agitation;
 - (b) to the efforts of financial experts?
3. Give some account of the reform of the Customs Tariff between 1820 and 1860.
4. Contrast the financial system of the United Kingdom in 1815 and 1870 respectively.
5. What relation does the value of the imports into England bear to the value of the exports from England? Has the relation varied during the last hundred years to any extent? What are the economic causes to which the present relation of imports to exports in England is due?
6. What changes have been visible during the last half-century in the character and direction of British exports? To what main causes are these changes, in your opinion, attributable?
7. What were the chief commercial crises of the nineteenth century? Point out what causes produced them.

8. Note points of likeness and unlikeness between the methods and aims of trade unions in the periods 1800-1850 and 1850-1900 respectively.
9. Classify the various kinds of British Oversea Possessions.
10. What proposals have recently been made to increase the solidarity of the British Empire?
11. Sketch the development of British rule in India during the nineteenth century. What economic results have accrued from the change of administration?
12. What additions to the British Empire have been made since 1815?
13. When was Australia first colonized from England? What part did the discovery of gold play in its subsequent development?
14. What were the real results of the Boer War?
15. Through what causes, and in what respects has the industrial supremacy of Great Britain been impaired since 1870?

CHAPTER III

GERMANY

EFFECT OF THE CONTINENTAL BLOCKADE ON GERMAN INDUSTRIES.—After the Wars of Liberation and the cessation of the Continental blockade, commerce once more revived and a period of improvement set in for Germany from which, at a later date, the political unification and remarkable economic progress of the country were to result. Already, before the Continental Blockade and also during its operation, certain industries had been developed, such as the weaving of linen and the spinning of linen yarn in Silesia and Saxony, which were based upon the increasing demand on the part of America, England, and Spain; moreover, mining, the metal industries and sugar refining also underwent a great extension. Upon the re-opening of the Continent to foreign trade, the German commercial centres were inundated with large masses of British goods—a fact which involved great hardship on German industries which, technically, were still far behind those of England.

Under the influence of the blockade, these German industries had flourished to a certain extent, especially the cotton and woollen industries and the manufacture of steel goods, whilst the manufacture of linen and various other branches were stimulated by the demand of America and England. At that time there was no question of a united commercial policy owing to the great disruption of the German state system. Such a commercial policy only became possible when Germany, under the leadership of Prussia, became an economic entity.

ESTABLISHMENT OF THE GERMAN ZOLLVEREIN.—Prussia was the first of the German states to abandon the old system of self-seclusion in favour of a modern commercial policy, by the abolition of internal customs duties between the various Prussian provinces; the creation of a homogeneous policy on the country's frontiers by the customs laws of 1818 and 1821; and the fixing of customs duties on a generally moderate scale. In this manner the foundation stone was laid for the subsequent economic policy of Prussia with its system of internal free trade. The unification of Prussia into

a homogeneous customs area likewise forced the other German states to form a large customs territory for the protection of their commercial interest, and in this manner the Bavarian and Wurtemberg Customs Union was formed in 1828, and the Middle German Customs Union embracing the Kingdom of Saxony, Thuringia, the Palatinate, Hesse Nassau and Hanover was constituted in 1829.



MAP OF GERMAN ZOLLVEREIN

In the meantime a number of small states had joined the Prussian Customs Union, and after the Palatinate of Hesse had seceded from the Middle German Customs Union in 1831, and had thrown in its lot with the Prussian Customs Union, and further with the increased private agitation against the existing German internal customs duties, the three customs areas became finally united in 1833. Thus eighteen states, with a population of 23,000,000, were combined into a homogeneous German Customs Union with free internal intercourse. Until Germany became politically unified—

an event which was in a manner prepared for by the economic unification—the latter was the most important event in the modern history of Germany.

Even before the formation of the Customs Union, the freedom of navigation on German rivers had come largely into vogue. In the case of the Rhine, Holland attempted to close the mouth of the river, whereupon Prussia revived the Cologne Staple right as a counter measure. In 1829 Holland gave way and guaranteed the freedom of the Rhine navigation as far as the sea, and in 1831 the Rhine Navigation Commission was formed which consisted of representatives of all states along its shores.

Gradually all the other German states joined the Zollverein, the last being the Hansa towns of Hamburg and Bremen, which became members in 1888.

The Zollverein issued, greatly strengthened, from two crises which threatened its dissolution in 1852 and 1862, and the formation of the North German Union in 1866, which temporarily jeopardized its existence, in the end only led to an improvement in its organization. With great cleverness Prussia managed to prevent the inclusion of Austria, which was her sole rival of importance among German-speaking states at that time.

Commercial Policy after the Formation of the Zollverein. From the beginning, the Zollverein adopted a free trade policy which it greatly furthered by the conclusion of a number of commercial treaties after 1860—chiefly upon the basis of the most favoured nation clause. The protectionist views advocated by Friedrich List in the 1840 decade, in opposition to the Zollverein, did not lead to any practical success. Likewise the German Empire at first adopted a free trade policy. In the peace of 1871 it agreed with France upon the permanent application of the principle of the most favoured nation clause, and in 1873 introduced a customs tariff which abolished the duties on iron, the corn duties already having been abolished in the 1860 decade. With that, free trade in Germany had reached its zenith. A very few years afterwards, however, a return to the protectionist system began, which was due partly to an increasing protectionist movement abroad and partly to the change of front of the German Agrarian Conservatives. The latter turned from free trade to protection in consequence of the changed position of the world's corn markets. This change in

policy might also to some extent be attributed to the serious industrial depreciation which occurred after 1870, especially in the iron trade. The Customs Tariff of 1879 included, among its most important features, a duty on corn and on pig-iron. In this manner a compromise was effected between agriculture and manufactures, the latter of which afterwards clamoured for protection. Between the years 1885 and 1887 further increases of customs took place, which chiefly affected agricultural products.

However, many other countries now replied with counter measures, and in consequence German export interests were considerably affected. Customs wars followed, during which manufactures and commerce suffered greatly, and wide circles of the German nation welcomed, as a saving action, the lower customs rates which were introduced in 1892 by the Chancellor Caprivi in his commercial treaties with Austria, Italy, Switzerland and Belgium. After a vehement tariff war, these were followed by a similar customs treaty with Russia, thus laying the foundations for more stable commercial relations in the future. After the expiration of these treaties, which had been concluded for a period of twelve years, Germany once more reverted to a policy of highly protective duties, which in the tariff of 1902 was based upon a system of mutual protection for all productive interests at home. Subsequently, under many difficulties, treaties were concluded in 1904 and 1905 with Italy, Belgium, Russia, Roumania, Switzerland, Serbia, Austria-Hungary, Bulgaria, and in 1906 with Sweden. With the exception of the last-mentioned, these came into operation on 1st March, 1906, and were to extend up to the year 1917; they were characterized by an increase of duties and greater obstacles to commercial intercourse.

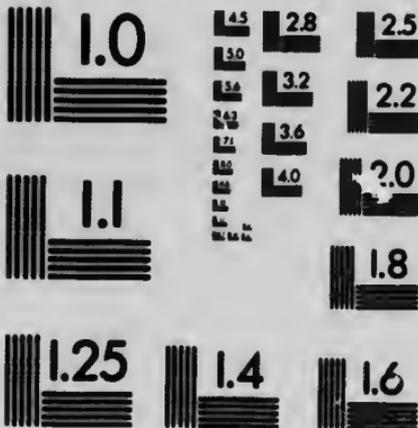
The return to protection on the part of the German Empire has contributed in no small measure to the strengthening of protection in other parts of the world. In opposition to the imperialist aims of the great world empires, the idea has arisen in Germany within recent times to form a Central European Zollverein.

GERMAN ECONOMIC PROGRESS.—Whilst the commercial policy of Germany swung to and fro the nation's economic activities underwent remarkable progress with but few interruptions. This progress had already become manifest after the establishment of the German Zollverein. From 1850 onwards, and especially after



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the formation of the German Empire, it made increased strides. A rapid growth of population took place, the standard of comfort rose, the agricultural output increased in an astonishing manner during the first half of the nineteenth century in consequence of the great agrarian reforms and the technical improvements in cultivation. Nevertheless, with the occurrence of crises in agriculture, protection was further increased; and, since the period of agricultural progress had come to an end in the 1870 decade, the fall in the prices of corn and raw materials, together with the scarcity of labour, rendered the position still more difficult.

Much more striking than that of agriculture was the progress of German manufactures during the second half of the nineteenth century. Manufactures as well as commerce received a mighty impulse, and enterprises of all kinds, mining undertakings, manufacturing companies, railways, steamship lines, banks, etc., grew up in increasing number and size. Manufacturing and commercial development was so remarkable that at the end of the period Germany ranked as one of the most important industrial nations of the world. In some industries, Germany, indeed, occupied a leading position in the world's markets, whilst, in regard to the extent of her foreign trade and the size of her mercantile fleet, she followed closely in the wake of England. The system of towns in Germany has developed upon a colossal scale; for instance, in 1871 there were only eight cities with more than 100,000 inhabitants, whereas in 1914 the number had grown to no less than forty-eight. More than 21 per cent. of the German people now inhabit these cities as compared with 4·8 per cent. of the population in 1871.

The chief interruptions in the development of the economic life of Germany took place in the years 1847-1848 and in 1873-1877. The latter period of depression resulted from the excessive flotations and feverish speculative activity which seized the whole population of the country after the termination of the war with France, and after the five thousand million francs of French War indemnity had come into the country.

It was but slowly that commerce recovered from this acute crisis. At a later period, too, German economic activity was subject to depression, that is, about 1885 and soon after 1890, but these were not felt to so great an extent. From 1895 to 1900 the economic conditions of Germany experienced a time of great

prosperity, due largely to the great progress effected in the electrical industry, but a sudden reaction set in during the spring of 1900. Nevertheless a rapid recovery took place and the years 1905 and 1906 were again periods of extraordinary prosperity for German industry. Again, the reaction of the years 1907 and 1908 were likewise succeeded by periods of progress.

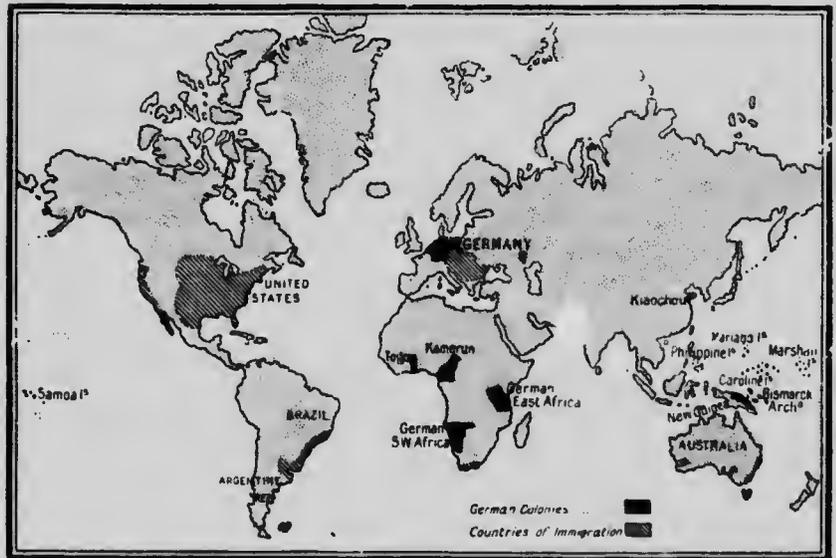
PROGRESS OF GERMAN COMMERCE.—A general survey of the development of German commerce during the nineteenth century may be derived from a study of the diagrams on pages 197 and 199.

In accordance with its nature, the commerce of Germany has undergone a development similar to that of England. As in the case of England a few generations ago, so in the case of Germany the export of manufactured goods of all kinds and the importation of raw materials to be worked up into finished goods, or of food-stuffs for the supply of the industrial population, have been the chief features in her foreign trade. A few generations ago German exports still consisted to a large extent of agricultural produce, whilst the imports consisted of manufactured articles and tropical produce. Since about 1890, however, the German balance of trade has consistently been an unfavourable one, and this feature has become increasingly marked. In 1913 the imports exceeded the exports by more than 25 per cent., a phenomenon due to the same causes as in the case of England. As in the latter country, the interest upon capital invested abroad, the services rendered by shipping and insurance, etc., had greatly increased.

A feature of German commercial development which resembles that of England consists in the fact that oversea trade has assumed comparatively greater importance than the trade with European countries. In 1913 oversea trade formed about three-fourths of German foreign commerce, a proportion which was tending to increase. Germany's most extensive commercial relations were conducted with Great Britain. Next in importance came the United States of America and the immediate neighbour of Germany—especially Austria-Hungary, Russia, and France.

GERMAN COLONIAL EXPANSION.—The tremendous increase in the population and the enormous extension of industry and commerce have made it a vital question for Germany not only to maintain her present economic sphere of influence in the world, but to extend it as much as possible. She therefore saw herself

compelled to carry on a policy of expansion and of participation in all economic questions of general importance which arose in any part of the world. She has constructed her Navy at great financial sacrifice for the purpose of protecting her commercial interests, and like other nations, she has been forced to participate in Colonial enterprise. For this reason, Germany has acquired a number of colonies since 1880, as for instance, in 1884 and 1885—the Cameroons, Togoland, German South-West Africa, German East Africa,



GERMAN COLONIES IN 1914

Kaiser Wilhelmsland, the Bismarck Archipelago, the Solomon and Marshall Islands; in 1899 the Caroline and Marianne Islands, as well as a portion of the Samoan Islands; in 1911, with the withdrawal of her opposition to the establishment of French rule in Morocco, she experienced a considerable increase of territory in the Cameroons in the direction of the French Congo. In 1897 the Bay of Kiauchau was acquired from China on a lease of ninety-nine years and thus created a basis for the development of German trade and navigation with the Far East.

Strenuous efforts were made by the German Empire to open up her colonial possessions, and considerable success in this direction

was undoubtedly achieved. In view of the rather unfavourable natural conditions of most of her colonies, however, the benefit accruing to the mother country was not of a very satisfactory nature.

SOCIAL LEGISLATION.—We can make only a brief reference here to the measures introduced for the regulation and consolidation of the economic and social conditions within the German Empire, although these were of great importance in facilitating the general development of the country. In this connection wide embracing legislation was passed in regard to trade, postal and telegraphic communication, navigation, customs, currency and banking and the control of patents, trade marks, etc. Beginning with the passing of a general law for the regulation of Bills of Exchange in 1847, in 1860 there followed a general code of commercial law which was further elaborated after the formation of the Empire. In addition, the new German Empire introduced a uniform gold currency and note issue, the regulation of the postal and telegraphic systems, and in regard to certain questions the control of the railways, which were taken over more and more by the state.

Of great importance, too, were the measures introduced by the state for the reconciliation of social differences within the nation, which, under the rule of free competition, had produced disquieting phenomena. The far-reaching constructive measures of reform for the improvement of the position of the working-classes, and for their protection and insurance exercised a most beneficial effect upon the welfare of the nation.

DEVELOPMENT OF INDUSTRIAL ASSOCIATIONS.—Along with the state organization of commercial and social interests, organized effort on the part of private individuals was also exerted. The representatives of many branches of production, tired of the unsatisfactory consequences of entirely unrestricted competition, united themselves with a view to the protection of their common interests. In this manner, chambers of commerce and numerous other organizations of trade interests were formed. Still more far-reaching associations, with the object of regulating production and restricting competition, were instituted during the last quarter of the nineteenth century in the shape of rings, cartels, syndicates, and similar formations. In 1913 there were nearly four hundred

such cartels in existence which had control over huge combinations of capital. In addition to this association of commercial and manufacturing undertakings, much progress has been made in the organization of workers into trade unions based upon the English pattern.

TEST PAPER XXIII

1. Trace the effects of Napoleon's Continental Blockade upon German commerce and manufactures.
2. Give an account of the growth of the German Zollverein.
3. What explanation do you offer to the increase of Protectionist practice in the last thirty years? Illustrate your answer with reference to the history of tariff policy in Germany.
4. What have been the main causes of the economic progress of Germany since 1870?
5. Describe the chief changes which have taken place in the last quarter of a century in (1) the quantity, (2) the character, and (3) the destination of German exports.
6. Give some account of the German Colonies and their acquisition.
7. Trace the effect on industrial organization of the Protectionist policy in Germany since 1870.
8. "The Empire is only an extended Prussia." Discuss this view of the modern German Empire.

CHAPTER IV

THE UNITED STATES OF AMERICA

REMARKABLE DEVELOPMENT OF AMERICAN INDUSTRY.—

Undoubtedly the most astounding development during the nineteenth century took place in the North American Union. From comparatively small beginnings its area, during this period, underwent a tremendous expansion. The population of the country increased enormously, and by the application of all sorts of modern appliances remarkable progress has been made in opening up the country and in the utilization of its immeasurably rich natural resources. In addition to agriculture, manufactures, trade, and transport were brought to a high state of perfection, so that the United States not only became important as an agricultural country and as a producer of raw materials, but it also advanced to the first place among the industrial nations of the earth. It is the only country which exports on a large scale both raw materials and manufactured goods.

GROWTH OF AREA AND POPULATION.—Originally the area of the Union only comprised the thirteen states which seceded from England. In 1783, by the Peace of Versailles, it was arranged that British Louisiana should join up; in 1803 French Louisiana was acquired by purchase from France, whilst Florida was acquired in the same manner from Spain in 1819. In 1805 Texas, which had seceded from Mexico, voluntarily joined the Union, and this led to a war with Mexico, at the conclusion of which, in 1848, California and all the country as far as the Rio Grande was incorporated in the United States. In the Pacific North-Western district the 49° of northern latitude was fixed as the frontier line between the British possessions and the United States; in 1867 Alaska was acquired from Russia by treaty; in more recent times the Union gained a footing in Hawaii (1892); in a part of the Samoan Islands in 1899, and in 1898, after the war with Spain, she also obtained Cuba, Porto Rico and the Philippine Islands. As a consequence of these acquisitions the area of the United States which amounted to about 600,000 sq. miles in 1800, increased to

3½ million in 1914, and the population during this period rose from 6 to 102 millions. In this manner a gigantic area was opened up to economic development and to colonization.



THE GROWTH OF NORTH AMERICA

ECONOMIC ACTIVITIES.—The cultivation of corn, cotton, tobacco, etc., stock-rearing and fishing made enormous progress. During the first quarter of the nineteenth century the foundations were already laid for the most important industries, but their principal development did not take place until the last few decades

when the mining and iron industries out-distanced those of other countries. The output of coal, iron ore, copper, and petroleum advanced rapidly, and since the discovery of gold in California in 1849, and the later discovery of the rich silver mines of Nevada and other districts, America has stood at the head of the countries engaged in the production of the world's precious metals. It was not until the end of the century that Australia and South Africa became serious competitors in the production of gold.

The rapid development of the economic resources of America was made possible and furthered by the magnificent development of the means of transport: the construction of an extensive system of trunk lines across vast tracts of territory and of a dense network of lines in the most populous areas, the construction of canals and the development of the inland waterways, such as rivers and lakes, and the institution of postal communication, telegraph lines, etc. Still at the same time the mercantile fleet of the United States remained in a backward state.

AMERICAN CITIES.—With the increase of the population, many great cities and commercial centres have arisen, especially in the east, but of later years increased development has also taken place in the west.

The most important city is New York which is also the largest port in the United States. In the interior, Chicago, on Lake Michigan, favoured by its position, has grown into a great collecting depôt for the central states, which are very rich in corn and cattle. This city has risen tremendously and has recovered very quickly from the great fires of 1871 and 1874. The emporium of the west is St. Louis, whilst on the Pacific Coasts San Francisco, with its exceedingly brisk maritime trade, represents the commercial interest of the Union. The development of the latter city, the growth of which has been continuous since the discovery of gold in California, was somewhat retarded by the severe earthquake and fire of 1906.

AMERICAN COMMERCIAL POLICY.—The direction of the commercial policy of the United States since they acquired their independence, has been chiefly dictated by their agricultural and commercial interests. At the time of the Continental Blockade the commercial relations of the United States, in spite of all counter measures, were greatly restricted and almost came to a standstill

on the outbreak of war between England and America in 1812. It was not until after this war that a movement for the protection of manufactures made itself apparent. The most renowned American economist, Alexander Hamilton, and later on Charles Carey, strenuously advocated the introduction of protective duties on



DISTRIBUTION OF PEOPLES IN AMERICA

the importation of manufactured goods with the object of assisting infant industries. The consequence was that the United States ultimately adopted a rigorous protectionist policy. After 1832, when free trade ideas again gained the upper hand, the protectionist movement made room for a more moderate policy, and important reductions in import duties were introduced by the tariff of 1857.

A few years later, however, protectionist ideas once more became the ruling policy. This movement emanated principally from the manufacturing states of the north which became supreme in politics, whilst the large estate owners of the southern states, as producers of raw materials, were convinced free traders. In 1861 the highly protective Morrill tariff was introduced, and after the southern states had lost their influence in the American Civil War (1861-1865), the customs duties were still further increased. A slight reaction in favour of free trade principles set in for a short time at the beginning of the 1870 decade, but the tariff of 1883 and still more the McKinley tariff of 1891 were more protectionist than all former tariffs. Once more the Wilson tariff of 1894 brought a few small reductions of duty, but by the Dingley tariff of 1897 protection was again greatly increased, which remark holds good up to the end of the present period. In 1914 Russia and France were the only countries which had similarly high protective duties. In addition to the very high import duties, the tariff was often handled in a very aggravating manner by the American officials, thus giving rise to many complaints. During the last few years, however, certain improvements in the handling of goods have been introduced.

The many changes in America's commercial policy, which has oscillated continually between protection and free trade, are closely related to the elections which decided whether the free trade democrats or the protectionist republicans were in power.

GROWTH OF FOREIGN TRADE.—The prominent share taken by the United States in the world's trade only dates back to the second half, or, more strictly speaking, to the third quarter of the nineteenth century as can be seen from the diagrams on pages 197 and 199.

With the increase in the turnover of trade, a great change took place in its character. The importation of manufactured goods underwent a considerable decrease whilst the importation of raw materials and partly manufactured goods used in the industries of the country, increased in a proportionate manner. At the middle of the last century one third of the total imports consisted of manufactured goods, whereas towards the end of the century they only represented about one-sixth of the imports. Accordingly, the exports of manufactured goods have likewise experienced an important increase. This tremendous economic area has

succeeded in meeting its demand for manufactured goods in a rapidly increasing measure from its home production, and, moreover, it has entered with its manufactures as an important competitor in the world's markets. The country has ceased to restrict



Photo by

[Putnam and Valentine.]

COTTON ON WHARF AT NEW ORLEANS

itself to its own market, and has begun to adopt an aggressive policy towards the older manufacturing powers engaged in the export trade, and in some circles this has led to the fear of an American peril which, however, is not so serious in reality as is frequently thought.

CHANGES IN THE DESTINATION OF AMERICAN EXPORTS.—

A significant change has also taken place in the direction of American trade. With the improvement in transport facilities, the trade with Europe assumed greater and greater importance, whereas the trade of the United States with the neighbouring countries declined in importance. In recent times, however, the tendency in this direction has changed to some extent, for the trade of the

United States with non-European countries, especially with Asia, South America, and Oceania has increased considerably. Nevertheless, about three-fourths of American exports and one-half of the imports fall to the share of European states, amongst which England takes by far the greater part, whilst Germany stands in the second place. It is to these two last-mentioned countries that the United States mainly owes its civilization. The balance of trade of the United States has been a highly favourable one for several decades, and the exports exceed the imports by about one-third to one-fifth.

ECONOMIC CRISES.—The rapid economic development of the United States, in which the principles of unrestricted competition and of the ruthless pursuit of private gain found greater scope than anywhere else, naturally did not take place without the interruptions of recurrent crises, amongst which mention may be made of those of the years 1812-1821, 1857, 1873, 1893 and 1907-8. Amongst the various causes of these crises should be noted, in addition to over-production, the deliberate manoeuvres of speculators who frequently created an artificial boom in the market, as well as the unfavourable organization of the banking and currency system of the Union. In consequence of the rich resources of the country and the energy of its population, the depressions in the economic conditions have never been of long duration but have always been quickly surmounted and therefore have not retarded progress to any considerable extent.

AMERICAN CIVIL WAR.—A disturbance of an extraordinary nature occurred between 1861 and 1865 in the form of the Civil War between the manufacturing states of the north and the slave-owning nobility of the south. As a result of this war slavery, which had already been abolished in the northern states in 1827, was done away with throughout the whole of the United States, and consequently a revolution was wrought in the conditions of production of the southern states. With the liberation of the negro slaves, the cotton, rice and sugar harvests underwent a temporary decline, but subsequently they not only attained to their former level but even considerably exceeded it. In bringing about the political unification of the states, the war may be said to have had the most beneficial economic effects.

GROWTH OF TRUSTS.—The excellent organization of American

industry has not been sufficient to avert the crises of more recent years. At the present time this organization is mainly based upon the existence of trusts, which have arisen on account of increased competition, and which defy all measures directed against them, having acquired enormous extent and power behind the high wall of protective duties. In 1913 there were more than 400 trusts with a total capital of about £750,000,000. In some branches of production the trusts completely dominated the whole of the United States market and also aimed at extending their influence to foreign countries. No doubt, from a technical and commercial point of view, they represent an important advance, but they also frequently exert a bad influence. Taught by unfortunate experience of this kind, the Government was resolved to proceed with a strong hand against the evils resulting from this capitalistic organization.

THE MUNRO DOCTRINE.—Simultaneously with the economic development and expansion of the United States, the political influence of the country also asserted itself. During the nineteenth century its policy of expansion led to the additions of territory previously mentioned, and as early as 1823 the Munro doctrine was proclaimed, according to which all European colonizing aspirations were to be opposed and the formula "America for the Americans" was adopted. In other matters American political influence also found expression as in the prohibition of England and France from participation in the construction of the Panama Canal, in the building of a Navy, etc.

TEST PAPER XXIV

1. Indicate by means of a sketch map the various districts which joined the American Union after 1783.
2. Discuss the development of the economic resources of the United States during the last quarter of a century.
3. Describe and account for the situation, and the present importance, of New York, Chicago, St. Louis, and San Francisco.
4. Describe the economic development of the Southern States of the American Union during the first half of the nineteenth century and its political consequences.
5. Account for the developments of the Protectionist policy of the United States since 1870, and indicate its effect on industrial organization.
6. Trace the growth of American foreign trade during the last half-century.
7. What social and economic issues were involved in the American Civil War?
8. Give a brief account of the growth of capitalistic combination in American industry.

CHAPTER V

FRANCE

COURSE OF ECONOMIC DEVELOPMENT.—The serious drawbacks suffered by France in regard to its economic conditions prior to 1815 were overcome in a remarkably short time by this rich country. Development soon set in which, up to about 1870, was commensurate with that of other great powers, but since that time progress has considerably slackened down. During the first part of the nineteenth century the manufactures, trade and transport in France took the second place (*i.e.*, next to England) among the nations of the world, but during the last few decades she remained behind Germany and the United States in regard to industrial development.

Owing to the decline in the rate of increase of the population, which practically came to a standstill prior to the outbreak of the Great European War, the country began to suffer. On the other hand, the wealth of France had continually increased so that it was still indisputably one of the richest countries in the world at the end of one period; and when estimated per head of the population, its wealth seemed extraordinarily great. Industry, under the influence of complete economic freedom, had attained a high level, and in some branches, especially in the manufacture of artistic goods, France dominated the world's markets. In the case of haberdashery, millinery, outfitting, etc., Paris, in virtue of good taste, elegance of style and colour, still held the premier position. In the money market the Paris Exchange retained the first place after London, and the Banque de France, which was established in 1803, was in active competition with the Bank of England.

During the nineteenth century France suffered comparatively little through economic crises and was scarcely affected by the general crisis of 1873. Nevertheless, over-speculation and exchange gambling have frequently produced financial disasters, such as was the case with the crisis of 1882 which was caused by the Bontout Swindle.

The development of foreign trade kept pace with the general course of economic conditions, and the graphs on pages 197 and 199

show that the volume of trade increased rapidly until about 1880, very rapidly indeed between 1850-1870, and subsequently the rate of increase declined to a certain extent. For some considerable time the balance of trade has been an unfavourable one.

COMMERCIAL POLICY.—The characteristic feature of the commercial policy of France during the whole of the last century, was the system of protection and isolation. At first this system favoured



FRENCH COLONIES IN 1914

both agriculture and manufactures alike, but during the reign of Louis Philippe (1830-1848) it was changed in favour of the latter in consequence of the increased influence of the manufacturing interests. Already during this reign, voices in support of free trade made themselves heard, but it was not until the time of Napoleon III (1852-1870) that, after violent resistance of the manufacturing classes, a free trade system was introduced by the conclusion of commercial treaties with England in 1860, Belgium in 1861, as well as with Italy, the German Zollverein and Switzerland. The prohibition of imports was repealed and thorough-going reductions in customs duties for most articles were effected. In 1872, under the highly protective policy of Thiers, these tendencies were again revised. At first the reaction only

extended to manufacturers but afterwards it also applied to the duties on agricultural produce. The latter assumed such dimensions that in 1892, with the introduction of the highly protective Meline Tariff (*i.e.*, a double tariff with a maximum and minimum rate), France entered the ranks of the most protectionist countries. In her navigation and colonial policy, France, by the treatment of foreign countries in their relations with the French Colonies, made regulations very closely related to the English Navigation Acts during the mercantilist period.

FRENCH COLONIAL POLICY.—Of the numerous colonial possessions formerly held by France, only a few remained in 1815, such as French Guiana, Martinique and Guadeloupe in America; a few unimportant places in Asia (*e.g.*, Pondicherry, Chandernagore), and a few possessions on the west coast of Africa. In the course of the nineteenth century, however, a new and more extensive French Colonial Empire arose. In 1830 Algiers was acquired; in 1881 Tunis was brought under French protection; and in addition France extended her possessions by penetrating from Senegambia and the Guinea Coast into the interior of the Dark Continent. At the end of the present period, after lengthy negotiations with Germany, she had reached her desired goal, and had extended her domination over the whole of north-western Africa. In the east of the African Continent Madagascar came under French protection in 1885, whilst in the Malay Peninsula Cochin-China was acquired in 1862; Cambochia in 1867; Annam in 1874 and in 1884 Tongking, from which French influence was further extended to Siam and southern China. Finally, France had acquired a number of islands in the Pacific, amongst which was New Caledonia, in 1853. Against these large extensions of territory outside Europe, however, must be placed the loss of Alsace Lorraine to Germany in 1871.

TEST PAPER XXV

1. Outline the development of French industry during the nineteenth century.
2. Compare the position held by France in the world's commerce in 1800 and in 1900.
3. Explain and illustrate the development of tariff policy in France since 1870.
4. Enumerate the chief Colonies owned by France in 1815.
5. Give an account of the Colonies acquired by France since the Franco-German War.

CHAPTER VI

RUSSIA

THE EXPANSION OF RUSSIA.—The expansion of Russia during the last century assumed enormous proportions, although the country had previously manifested its significance by pushing its way right up to the Baltic and the Black Sea. Russian domination now stretched right across Siberia to eastern Asia and the coast of the Pacific Ocean. In central Asia it penetrated into the Rhisghiz Steppes to Turkestan Khiva; Samarkand, Bokhara to Persia and Afghanistan in the direction of India, and at the time of the Crimean War (1853-1856) it threatened to extend even to the Turkish portion of the Balkan Peninsula. This, however, failed to materialize since the Crimean War greatly undermined the supremacy of Russia on the Black Sea and on the Lower Danube. In more recent times the movement for expansion by means of colonization received an important impetus with the construction of the great trans-Asiatic railways. The Trans-Caucasian Railway was extended from Poti to Baku between 1873 and 1882; in 1889 the Trans-Caspian Railway, which led from the Caspian Sea *via* Merv in an easterly direction as far as Samarkand, was completed, and in 1889 the line was continued to Taskhent; in 1891 the Emperor Nicholas II laid the foundations for the great work of the Trans-Siberian Railway, which connects European Russia with Vladivostock and the branch line of the Manchurian railway with Port Arthur on the Pacific. With the extension of its dominions, Russia has increased its area to a colossal extent. Her population, too, has undergone a tremendous increase, amounting in the European area to about 103,000,000 and in Asia to about 25,000,000; wide areas have been populated and opened up to cultivation, and astounding progress has been made in colonization and the spread of Russian customs and manners in the east and in the south-east.

Characteristic of the development of the Russian Empire is the low state of civilization in which the great masses of the population find themselves; in this respect she is far behind the other nations of western civilization.

COMMERCIAL POLICY.—The development of the commercial policy of Russia has taken place on very simple lines. Shortly after 1820 the system of prohibition was abandoned and a new customs policy was adopted which imposed very high duties on the importation of foreign manufactures, although most raw materials were admitted free.

This mercantilist policy was continued without change until the death of Nicholas I in 1855; on the whole it went hand in hand with a policy of isolation towards western European civilization. Under Alexander II (1855-1881), after the termination of the Crimean War in 1856, a number of progressive reforms were introduced in regard to internal affairs, the most important of which was the abolition of serfdom among the peasants in 1857. The expectations of the benefits resulting from these reforms were not fulfilled, however, since the change from serfdom to freedom found the Russian peasant unprepared and unready to take advantage of the reforms. The position of the peasant class which, by its emancipation, had become self-dependent, grew worse instead of better. The education of the peasants did not interest the Government of absolute bureaucrats, and the policy pursued by them of excluding all liberal ideas, together with mismanagement, created deep-seated embitterment in wide circles. Harvest failures, famine, and revolts were the fruits of this mistaken system.

Simultaneously with the emancipation of the peasants the duties were reduced by the new customs tariff of 1857; in addition greater attention was paid to the extension of the railway system, the furtherance of manufactures and the improvement of agriculture. In consequence commerce increased, manufactures became more efficient, and the place of the old system of natural economy was supplanted more and more by a money economy. The epoch of Customs reductions, however, barely lasted two decades; in 1877 a law was passed that Customs duties had to be paid in gold, which implied an increase of 33 per cent. in the rates, and very quickly further increases in duties were introduced for financial or political reasons. In the highly protective tariff of 1891 the increase of duties reached its zenith.

Subsequently from 1892 to 1894 an obstinate Customs war was carried on with Germany, by which Russia was forced to concede the principal demands of Germany. In this struggle it was

shown that the export of corn to Germany was an indispensable necessity to Russia, and in recognition of this fact a commercial treaty with Germany was concluded in 1894, which operated till 1906, and was followed by a new treaty favourable to Germany.

During the last few decades the commercial policy of Russia, with its rigid protection of manufactures, presents a very peculiar phenomenon in view of the fact that 85 per cent. of the population of the Empire belong to the agricultural class and are thus dependent upon the exportation of corn and have no interest whatever in the high protective duties. Furthermore, Russian manufactures are in urgent need of the importation of foreign coal and partly-finished goods.

The nationalist aims of the Pan-Russians, who wish to preserve their civilization as far as possible from western influence, together with the demand for the protection of the Russian cotton and iron manufactures, are the main reasons for the development of this peculiar commercial policy.

The artificial attempt to render the Empire self-supporting by the application of protective duties and by a policy of conquest on a large scale on the one hand has led to the rapid progress of Russian manufactures but, on the other hand, it has inflicted great drawbacks on the large mass of the Russian people and has immensely increased the national debt of the country.

RUSSIAN FOREIGN TRADE.—The commerce of Russia is characterized by a very favourable balance of trade. In order to pay the interest on the national debt and on the private capital invested in the country, huge exports of corn take place at the expense of the people's own food supply; for, in spite of the large extent of cultivated area, Russian agriculture furnishes comparatively small crops owing to the absence of intensive methods of cultivation. Nearly two-thirds of the total exports across the European frontier are food-stuffs, and nearly one-third consist of raw materials, in which latter resources the country is very rich. The imports embrace a number of raw materials such as cotton, coal, iron ore and certain manufactured articles. Both in the import and in the export trade with Russia, the first place was occupied by Germany, whilst the second place was taken by Great Britain.

Towards the East, the trade of Russia, with the extension of

Russian influence in Asia, penetrated as far as the ancient markets of Central Asia and into the Pacific Ocean. In this respect it is of advantage to the Russian people that, in their manner of thought and civilization, they are closely related to the Asiatics with whose tastes and requirements they are therefore familiar; thus the Russians are able to adapt their goods to the tastes of Asiatics and to find ready buyers for them. On the other hand, the Russian possessions in Asia furnish very useful raw materials and articles of luxury (*e.g.*, carpets).

OBSTACLES TO RUSSIAN EXPANSION.—In her aspirations for expansion, the Russian Empire has not yet attained her wishes in regard to the possession of an adequate coastline. In the war with Japan in 1904 she suffered such a serious set-back in the east that she has given up all idea of extension in that direction. Further obstacles to the continuation of a policy of conquest on a large scale were to be found in the extremely bad internal conditions of the country, and which, in 1901, led to the convocation of a Parliament. Moreover, such a policy of conquest was impossible owing to the bad financial position of the Empire. The continual deficits in the exchequer and the huge national debt have for years been the object of serious criticism. In 1914 Russia's principal creditor was France, and, to a much smaller extent, Germany, who takes the second place. The gold currency, which was introduced in 1897, was still being maintained at the end of this period, in spite of the unfortunate war with Japan and the subsequent Revolutionary movement.

TEST PAPER XXVI

1. Account for the rapid expansion of Russia during the nineteenth century
2. What were the effects of the emancipation of the serfs in Russia in 1857?
3. Point out the chief characteristics of the tariff policy pursued by Russia prior to the outbreak of the Great European War.
4. Mention any peculiar feature of Russian foreign trade. What country takes the largest share of Russian exports?
5. What have been the chief hindrances to Russia's aspirations for expansion during the last quarter of a century?

CHAPTER VII

AUSTRIA-HUNGARY

ECONOMIC AND POLITICAL CONDITIONS.—Austria-Hungary, with its mixed population and great complexity of conditions, has improved greatly in its economic position during the period under discussion, although it has not kept pace with the development of Germany and no longer plays the important part in European politics which it assumed a hundred years ago. At that time it still maintained paramount influence in Germany and Italy, and was in a position to carry on the policy of a great power with success, whereas at present the country is separated from both the last-mentioned countries.

During the first years of the twentieth century the country was fully occupied with its own internal affairs, whilst in its desire for expansion it only looks to the east towards which the centre of economic life has gravitated more and more since the war with Prussia in 1866.

COURSE OF ECONOMIC DEVELOPMENT.—At the beginning of the nineteenth century the Napoleonic Wars had inflicted serious injury upon the economic activities of the country, and had confused its finances to such an extent that the state was forced to declare its bankruptcy in 1811, and, for the second time, in 1816.

In order to improve matters, the existing system of prohibition was accentuated into a policy which almost amounted to the complete prohibition of foreign goods, a policy which was maintained in a scarcely diminished measure until 1851. Under the protection of this system the foundation was laid for the principal industries of the country, as, for instance, the manufacture of cloth in Moravia, the glass and cotton industries of Bohemia, the iron and steel industries of Styria, and the fancy goods of Vienna. In spite of all, however, the conditions of the country improved very slowly, and the pressure of the bad financial conditions, which had become worse again in consequence of the Revolution of 1848, the Hungarian Revolution of 1849, the Italian Wars of 1849 and 1859, and

the war of 1866 continued to operate in an unmitigated manner. In 1852 Austrian commercial policy underwent an important change. The prevailing system of prohibition was modified into one of highly protective duties, the international duties having already been abolished in 1827, and those existing between Austria and Hungary in 1850. At the same time Austria-Hungary aspired to join the German Zollverein, which attempt, however, was frustrated by Prussia. On the other hand, a satisfactory commercial treaty between Austria and the German Zollverein was effected in 1853. The change in the commercial policy had been preceded by other liberal reforms, such as the enfranchisement of the peasant class and the raising of the status of the middle class, and now the Government tried to revive commerce and to open up the resources of the country by the construction of railways, the furtherance and assistance of navigation on the Danube and in the Adriatic, and by the attraction of foreign capital into the country.

In consequence, capital streamed into Austria from all countries, and speculation increased in a remarkable manner. This upward movement, however, was followed by a severe crisis in 1857. A second war with Italy also broke out in 1859 which entailed the loss of Lombardy, whilst the introduction of a Constitutional system of Government in 1860 failed to produce any permanent improvement in the economic life of the nation. A second attempt to enter the German Zollverein was frustrated once again by Prussia and terminated in the commercial treaty of 1865. The war of 1866 finally excluded Austria entirely from Germany and entailed the loss of the province of Venice. The constantly increasing racial conflicts within the country led, in 1867, to the separation of the Empire into a Constitutional Dual Monarchy, in which an autonomous Government and administration was granted to each portion of the Empire, only excluding a few matters common to both such as Imperial defence, diplomacy, and commercial policy.

Under the pressure of the agrarian free trade classes of Hungary, in 1865 the Government adopted a policy of free trade treaties, in which import duties were more and more abolished or converted into revenue duties. Subsequently postage and telegraph fees were reduced, foreign limited companies were admitted, and other

trade facilities were introduced. The renewed rapid upward movement which set in with this policy came to an end with the crisis of 1873, which inflicted great injury upon the economic life of the country and culminated in an acute financial crisis on the Vienna Exchange.

The abandonment of free trade by Austria-Hungary was effected by the tariff of 1878 which, for the first time, introduced duties on agricultural produce, and very soon afterwards the protective system was further developed by the tariffs of 1882 and 1887, as well as by the commercial treaties concluded in 1892. Signs of permanent improvement in many branches of economic activity, however, have made themselves apparent in the Empire. At the conclusion of one period independent manufacturing interests had developed, trade and transport had increased, the serious state of the finances had greatly improved, the Government stocks had risen to a respectable figure, whilst in 1900 the monetary conditions were regulated by the introduction of a gold standard. An obstacle to the country's development during the first years of the twentieth century consisted in the continual strife among the various nationalities and in parliamentary obstruction. In 1908 the Monarchy took an important step in the extension of its political power by incorporating Bosnia and Herzegovina—the Berlin Congress of 1878 having already sanctioned the military occupation and administration of both these countries by the Monarchy.

FOREIGN TRADE OF AUSTRIA-HUNGARY.—Prior to the outbreak of the Great European War in 1914, the commerce of Austria-Hungary was gradually beginning to lose its favourable balance of trade. The chief import and export trade was conducted with the German Empire. The interests of the two portions of the Monarchy in regard to foreign trade are greatly at variance in view of the fact that Austria, which is more advanced industrially, is interested in the protection of its manufactures and commerce, whereas Hungary is more intent on the imposition of high agricultural duties. In spite of the increase of its manufactures, Austria-Hungary is still predominantly an agricultural country. In 1914 Austria had not less than 60 per cent. of its population dependent upon agriculture, whilst Hungary had as much as 70 per cent. so engaged.

TEST PAPER XXVII

1. What are the chief causes for the slow growth of Austrian trade ?
2. To what causes, other than military inferiority, may the displacement of Austria by Prussia in the leadership of Germany be attributed ?
3. Write short notes on—
 - (a) Austria's attempt to join the German Zollverein.
 - (b) War between Italy and Austria in 1859.
 - (c) The Dual Monarchy of Austria-Hungary.
4. Account for the course of tariff history in Austria-Hungary during the nineteenth century.
5. Say what you know of the development of Austrian trade during the last twenty-five years.
6. Account for the revival of Austrian power between 1866 and 1914.

CHAPTER VIII

ITALY

THE UNIFICATION OF ITALY.—Since the era of Geographical Discovery, Italy had sunk more and more from its dominant position in the world's trade, and at the end of the eighteenth century the indications of its former prosperity had completely disappeared. During the Napoleonic Period it came under French influence as a united kingdom, and great damage was inflicted upon the country by the Continental Blockade. The Congress of Vienna restored the former political and commercial disruption, which was a source of immeasurable disadvantage to the country's development—the same as in Germany. However, there were no lack of aspirations to unify the whole area, and these were finally fulfilled, though not without severe fighting. Many a futile attempt was made to bring about this unification by the establishment of secret societies, rebellion, and by the waging of war, until in 1859 the work of unification became successful. Starting chiefly with the kingdom of Sardinia, which constituted the nucleus of the movement, the struggle for unification was completed in 1861, but not without hard fighting and revolution. Thus the kingdom of Italy embraced the whole of the Apennine Peninsula, with the exception of Venice and the Papal State of Rome, but these were afterwards also incorporated in the kingdom—the former in 1866 and the latter in 1871.

ITALIAN COMMERCIAL POLICY.—This unification did away with the customs barriers which formerly existed between the various Italian states, and which had hindered the development of intercourse. As early as 1861 a general customs tariff with low rates was introduced, and in the subsequent years a series of commercial treaties with foreign countries was concluded. Through the instrumentality of these measures and the simultaneous improvement in the conditions of transport, caused by the construction of railways within the country itself as well as to Switzerland and southern Germany, a great improvement was experienced in trade.

However, the infant industries of the country suffered severely

in consequence of the sudden adoption of a free trade policy. Moreover, the financial conditions of the country were somewhat involved, a remark which applies even to quite recent times. It was largely due to financial considerations that a protective policy



MAP OF ITALIAN UNITY

was adopted in 1878, which policy was further developed subsequently by the commercial treaties of 1891. From 1888 to 1890 Italy carried on a tariff war with France, which was followed by strained commercial and political relations between the two countries for a number of years. To a large extent these strained relations were responsible for the severe credit crisis which broke out

in Italy in 1893. In more recent years the general economic conditions of the country have greatly improved, especially in the northern portion, whereas the southern part of the Peninsula is progressing more slowly. Manufactures have developed, trade and transport have increased, and the financial conditions have greatly improved. In connection with the latter, mention should be made of the measures introduced for the regulation of the value of securities and for the consolidation of the National Debt. A great financial measure was carried through in 1906 with the successful conversion of 8,200 million lira of state debts.

REVIVAL OF ECONOMIC CONDITIONS.—The economic revival of Italy of late years is largely due to the assistance of foreign financiers. The most important port of Italy is Genoa, whose shipping has made enormous progress since the opening of the St. Gothard Tunnel. Notwithstanding Italy's recent progress, the standard of the nation's economic life is not yet satisfactory. The country is still predominantly agricultural; although its soil is fertile only to a certain extent. It possesses no coalfields and very few minerals of economic value. The great majority of its population is poor, and the National Debt is relatively very high. At the present time attempts are being made to increase the industrial output of the nation by the utilization of its water power for the generation of electricity.

COLONIAL POLICY.—The attempts made by Italy to participate in colonial aspirations have hitherto met with but little success. The Colony of Eritrea, which was established in 1805 on the east African coast, is of very little importance. The attempt to extend the Colony was frustrated by King Menelik of Abyssinia, who inflicted a severe defeat upon the Italian Army at Adova in 1896. In 1912 Italy came into possession of Tripoli after conducting an expensive war against Turkey.

TEST PAPER XXVIII

1. Indicate the chief stages in the achievement of Italian unity during the nineteenth century.
2. What have been the main economic problems for Italian statesmen since 1860?
3. What have been the principal drawbacks to the commercial development of Italy during the nineteenth century?
4. Criticize the Colonial policy of Italy.

CHAPTER IX

OTHER COUNTRIES

IN addition to the Great Powers discussed in the foregoing chapters, other states have played an important part in the commercial history of the nineteenth and the early part of the twentieth centuries. Indeed, the great number of commercial powers constitutes a peculiar feature of this modern epoch, during which commerce has spread to almost every part of the globe.

The first countries to consider are the medium-sized and the small states of Europe.

SPAIN.—Among the former, Spain has experienced a very irregular development, for the decay which had set in long before 1800 continued to spread, being accentuated by civil war, rebellion, and the fighting of foreign armies on Spanish soil. Since the middle of the nineteenth century the country has begun to develop its rich mineral treasures—especially in the case of copper, mercury, silver, lead and zinc—which has been facilitated by the construction of railways and the increased output of iron ore, the chief port of export being Bilbao. In this manner the economic condition of the country has somewhat improved in recent times, whilst the Government's securities have reached a favourable figure. With the introduction of the customs tariffs of 1862, 1869 and 1875, Spain abandoned its old policy of isolation, but during the 1890 decade she returned to her policy of protection. In view of the economic and political instability of the country, Spain was unable to prevent the secession of her former colonies in North and South America, and in 1898 she lost the principal part of her remaining possessions in the unfortunate war with the United States of America. In 1899, after selling a number of South Sea Islands to the German Empire, she was left with the Canaries, Bredias, and a few small West African colonies.

PORTUGAL.—At the end of the eighteenth century, Portugal made a certain amount of progress, due chiefly to the increasing prosperity of Brazil. However, a change for the worse occurred with the invasion of the French Army in 1807, the blockade of her ports by the French, the emigration of the Royal Family to Brazil,

and the separation of this rich colony from the mother country—a separation which was only legally confirmed in 1822, although it had existed in fact for some time. Even after the return of the Court, there was no thorough-going improvement in the economic conditions of the country. As in the case of Spain, Portugal acquiesced in the free trade movement which swept across Europe in the years following 1860, but she shortly afterwards returned to protection. The change in the commercial policy, however, did not have much influence upon her economic development.

The country, in spite of some economic progress, has remained far behind other states. Its finances are in a bad condition, and since the bankruptcy of the state in 1891 and 1892 they have been under the control of the creditor states. Notwithstanding the country's retrograde movement, Portugal has succeeded in obtaining considerable colonial possessions.

SWITZERLAND.—Switzerland, during the period under consideration, further extended the industries which she had previously established, and reached a state of great prosperity by the establishment of excellent social organizations, a well-developed railway system, and the systematic regulation of its economic conditions. Great importance was achieved by the Swiss watch-making industry, which occupies a significant position in the world's market. Another important source of revenue for the country is to be found in the large numbers of visitors who invade Switzerland every year. In its commercial policy, until quite recently Switzerland was decidedly free trade, but she has now joined the protective movement.

BELGIUM.—After gaining her independence, Belgium developed into a manufacturing power of prominent rank, and, assisted by her great mineral wealth, great development took place in her coal and iron, engineering, glass and textile industries. Other factors which proved favourable to the country's development were its geographical position, its canals, and the high state of development of its railways.

In 1843 it was arranged that Belgium should no longer be hindered by the closing of the Scheldt by the Dutch, and since 1863 the toll which the Dutch had exacted on the navigation of the Scheldt was likewise abolished, and this led to a great increase in Belgian shipping. Of still greater importance, however, was the

trade by land which Belgium conducted with the German hinterland. The volume of trade conducted at the port of Antwerp during the last few decades has undergone a manifold increase. In her commercial policy Belgium tends to pursue a free trade policy, this being dictated by the country's position as a transit country, although a few customs duties have been imposed for the benefit of agriculture and manufactures. In more recent times the Belgians have also participated in colonial enterprises in the Congo, which was established in 1885 as a neutral state under the sovereignty of Leopold II.

HOLLAND.—Holland, which had been seriously affected by the European wars at the end of the eighteenth and the beginning of the nineteenth century, not only recovered from the consequences, but even made considerable economic progress. After the separation from Belgium in 1830, unity was gradually introduced into the industrial interests of the country. Great attention was paid to agriculture, trade and transport, and even more than Belgium, the country pursues a free trade policy. The progress of industry in the Rhenish Westphalian hinterland benefited Holland in the same measure as Belgium, and both Amsterdam and Rotterdam owe much of their importance to this trade.

The colonial possessions of Holland, reduced so considerably at the Vienna Congress of 1815, were subsequently extended and systematically improved. The most valuable Dutch colonies are her possessions in the Straits Settlements, which are a source of great wealth to the mother country.

DENMARK.—Among the Scandinavian countries, Denmark had suffered a great set-back by the bombardment of Copenhagen and the confiscation of her Navy by the English in 1807. In 1857 the toll which she levied in the Sound was abolished, and in the war against Prussia in 1864 she lost Schleswig Holstein. In consequence of the latter event, a complete change was introduced in the commercial conditions of the country, in view of the fact that Schleswig Holstein had furnished a large portion of the Danish exports, and was also of some importance for Danish shipping. At the present time the country is chiefly remarkable for its highly developed and organized system of agriculture. In its commercial policy, the country is predominantly free trade and levies but few duties. Denmark still retains a few colonies in America.

NORWAY AND SWEDEN.—Since 1815 Sweden and Norway had been united, but in 1906, when the contrasts between the two countries had become more accentuated, they again separated. Both countries are characterized by their natural resources which consist of agricultural soil, extensive forests and important deposits of iron ore.

Sweden has already created a highly-developed manufacturing industry, whilst Norway is only just beginning to follow in her footsteps. On the other hand, however, Norway has risen to an important position in ocean navigation. The Norwegian mercantile fleet is one of the largest in the world, although it consists chiefly of sailing vessels. As carriers of cargo, Norwegian shippers are to be found in almost every sea.

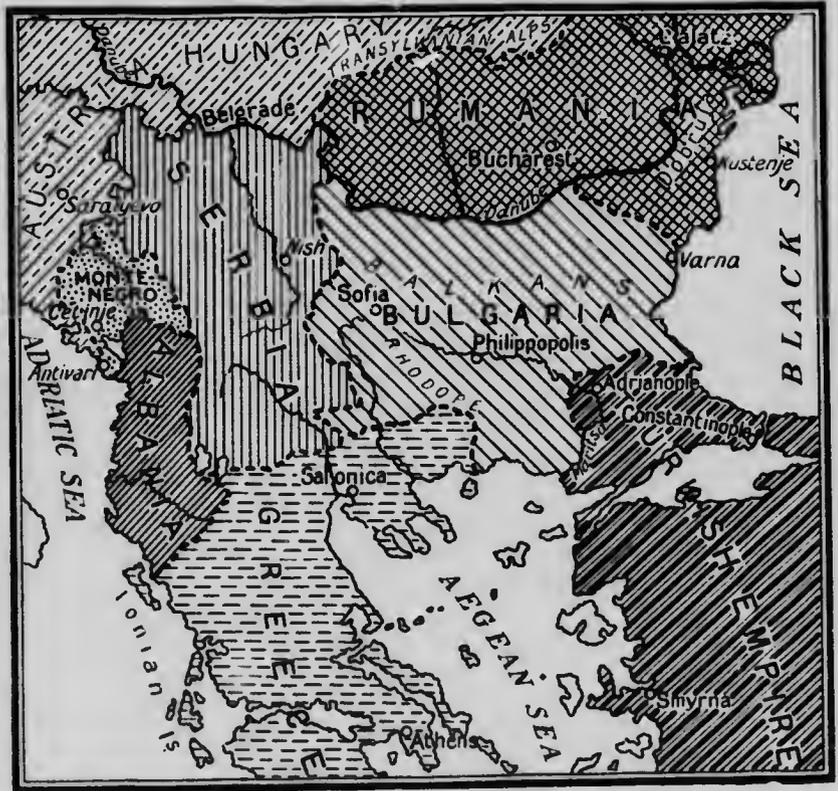
In regard to the country's commercial policy, Sweden, during the last century has passed through the same course of development as most European countries; that is, she went from a system of exclusion to a free trade policy, only to return later on to a protectionist policy. On the other hand, Norway has always favoured very low customs duties and has retained them up to the present time.

THE BALKAN STATES.—In the Balkans there was a very disturbed course of development during the nineteenth century, and only within recent times have firmly established states and regulated conditions gradually been evolved. In a commercial sense, all these countries are under the domination of the great powers of Europe.

Most progress was made by Roumania, which became unified into a kingdom in 1861. Her rich grain-producing areas and the extreme fertility of the soil have led to great improvement in the conditions of the peasant class and to great progress in the cultivation of the soil and cattle-rearing. Manufactures likewise are beginning to develop and great progress has been made, especially in the working of the oil springs at the foot of the Carpathians. A progressive movement could also be discerned in Bulgaria, which in 1908 shook off the remnants of Turkish sovereignty and declared itself an independent kingdom; also in Serbia, which became independent of Turkey in 1867.

A similar remark applies to Greece, which became an independent state in 1829, though the country suffered for a long time from the

after-effects of Turkish domination and the burdens which had been imposed upon it by the Wars of Liberation. Its population, like that of most Balkan States, however, does not seem to have a proper understanding of European civilization and order. The financial calamity of 1893, involving the bankruptcy of the state, became further accentuated by the unfortunate Greco-Turkish



THE BALKAN STATES IN 1914

War of 1897 and acted as a great incubus to commercial development. A portion of the revenues of the state is under international control.

Outside Europe, apart from the United States, which has already been discussed, a number of countries in Asia, as well as in Central and South America, are of some importance.

TURKEY.—In regard to the Turkish Empire, a part of whose

possessions are situated in Europe, this has been in a state of slow decay for a whole century, and it owes its continued existence merely to the mutual jealousy of the great European Powers.

Attempts have been made, however, to improve the conditions of the country by the introduction of a vast number of reforms. For the most part these reforms proved futile owing to the laziness and the fanaticism of the people and the feebleness of the Government. Numerous ancient industries still flourish, such as the manufacture of carpets and the armourers' art. There is, however, a lack of modern industries and up-to-date machinery for the conduct of trade and intercourse, and where such machinery does exist it is to be ascribed to the initiative of Europeans. The first place among railways was taken by the Anatolian and Baghdad line, the concession for which was granted to a German syndicate.

For a long time, the financial conditions of the country have been in a very bad state and are subject to the control of the creditor states. During the last few decades European influence has had some favourable consequences in Turkey, and has brought about an increase in production and in trade as well as other economic improvements. These improvements, however, were unable to arrest the process of dissolution which was taking place in the Turkish Empire, and which has been noticeable throughout the nineteenth century. After numerous portions of the Empire were formerly torn from it (*e.g.*, Cyprus and Egypt by England, Tunis by France), and after a series of vassal states had made themselves independent, **Bulgaria** threw off the remainder of Turkish Sovereignty in 1908; at the same time Austria completely annexed **Bosnia and Herzegovina**, and in 1911 Italy entered into war with Turkey with the object of tearing away **Tripoli** from her.

The economic exploitation of the country by the erection of factories, railways, etc., was an object of jealous rivalry among European powers.

PERSIA.—Like Turkey, Persia has also come into closer contact with western civilization in recent times. Postal and telegraphic communication has been established between the principal towns; foreign merchants have interested themselves in the commerce of the country, the most important products of which are to be

accounted the weaving of carpets and the manufacture of textile goods, whilst commercial treaties have been effected with most European countries. However, the despotic government and bad administration of the country still stand at a low level, and this has led to the increase of Russian and British influence within the country.



TEA CARAVAN IN THE STREETS OF PEKIN

CHINA.—More important than the development of Persia was the opening up of China, which took place in the course of the nineteenth century, especially in view of the fact that this area, which was now entering the world's commerce, possessed a highly developed form of ancient civilization. China was opened up to

European trade to some extent after England, in response to the Chinese prohibition of the importation of opium, had waged with success the so-called Opium War of 1840-1842.

In consequence of this war Hong-Kong was ceded to England and the ports of Canton, Shanghai and three other places were opened to her trade. Subsequently further privileges were granted to England, and other European states likewise gained access to the Chinese ports.

During more recent times European influence has manifested itself in a large measure, especially since the unfortunate war with China in 1896, which was followed in 1898 by the acquisition of spheres of influence by a number of foreign powers. England acquired Wei-hai-Wei; Germany, Kiauchau; and Russia, Port Arthur. In the succeeding years, when the hatred of foreigners led to the assassination of many European and Chinese Christians, and during the Boxer Rebellion in 1900 to the systematic siege of the foreign embassies in Peking, the European Powers, as well as America and Japan, saw themselves compelled to occupy Peking and the surrounding country with military forces. The Chinese Government was compelled to punish the ringleaders and to pay huge indemnities to the foreign powers.

Nearly all the European Powers are represented in the Chinese trade by business houses. Foremost amongst these is England, who has devoted her principal attention to the valley of the Yang-tse-kiang. Germany had developed a brisk trading activity in the Bay of Kiauchau, which she leased in 1898 for a period of ninety-nine years, and she also endeavoured to develop the Province of Shang-tung by the construction of the Shang-tung Railway and by the exploitation of the coal mines in this locality. In addition to Port Arthur, Russia also acquired the right to build a branch of the Siberian Railway through Manchuria into China, and thereby greatly increased her influence, which was to a large extent lost again through the unsuccessful war with Japan in 1904. On the whole, the issue of this war has had the effect of reducing the respect paid to the white race, and of awakening the self-consciousness of the Chinese and thus leading to many reforms in the political and economic sphere. A further feature of this, moreover, has been the occurrence of grave internal disturbances which have broken out in the Empire since 1911.

JAPAN.—At an earlier date and in a totally different degree, as compared with China, Japan began to enlist into its service the technical processes of European civilization, and, with an astounding capacity for imitation, she has created in a remarkably short time an army and a navy, railways, steamships, telegraph lines and factories on the European model. This country, for a long time, admitted foreigners only to a very limited extent, as for instance, the Portuguese in the sixteenth century, and later on the Dutch and the Chinese. She did not enter the world's commerce until a North American expedition succeeded, during the middle of the last century, in obtaining access to the ports of Simoda and Hakodate, as well as in gaining the consent to open up commercial relations between the two nations. In the same year England followed with a similar treaty by which Nagasaki was also opened up to foreign trade; very soon afterwards Russia, Holland, and the other countries followed this move.

In Japan foreigners found a country with very carefully cultivated soil and a population with an open mind ready to receive European civilization and inventions.

The adoption of this civilization began in the year 1868 when the Japanese Middle Ages were brought to an end by the downfall of feudal rule and the new period of enlightenment began. Since that time Japan has increasingly organized, upon the European model, its state administration and constitution, its military system, its commerce and its manufactures. Since the outbreak of the successful war with China in 1894, which resulted in the acquisition of the Island of Formosa, the importance of Japanese trade in eastern Asia has increased considerably. Moreover, with the conduct of a successful war with Russia in 1904, the country has become recognized as an equal with the countries of the civilized world and has obtained the predominant influence in the Far East—this being the aim of its policy of expansion. In 1897 Japan adopted the gold standard of currency.

CENTRAL AND SOUTH AMERICAN STATES On the American Continent, in addition to the United States, a whole series of states have arisen in Central and South America from the Spanish Colonies which seceded from the mother country towards the beginning of the present period. They were for a long time the theatre of internal disturbances, and of party and racial strife, during which



GROWTH OF SOUTH AMERICAN STATES

economic development greatly suffered. On the pattern of the United States they nearly all formed themselves into federated republics, and where monarchical republics existed, as in Mexico from 1864-1867 and also in Brazil until 1899, these systems of government were replaced by republican constitutions. In their development, all these are still young countries which have not as yet attained to political maturity. Their finances are in a state of great confusion and they carry on a commercial policy dictated chiefly by financial considerations.

The rich resources of these countries in agricultural products, cattle, precious metals, etc., are not being exploited in a sufficient measure. The opening up of these countries has been almost entirely effected by the agency of foreign capital, whilst foreigners are engaged in the conduct of the most important import and export businesses.

During the past few decades a certain amount of progress has been manifested in the majority of these states. Thus Mexico developed favourably under President Porfirio Diaz who, from 1876, directed the destinies of the Republic until 1911, and by a reform of the currency in 1904 and 1905 even adopted a measure tending towards the introduction of the gold standard. In the Central American States (Costa Rica, San Salvador, Nicaragua, Guatemala, Honduras, and Panama) the production of coffee and of timber has made great progress. In Colombia and Bolivia mining has been greatly developed; in Venezuela, Ecuador, Haiti and San Domingo agriculture and forestry are of great importance; and in Chili and Peru the exploitation of the rich saltpetre deposits are worthy of mention. These latter deposits now belong chiefly to Chili, who acquired the province of Atacama after waging a successful war against Bolivia and Peru. Among the River Plate States, Argentina principally has made rapid economic progress in recent times, and has developed into one of the foremost wheat-producing countries of the earth. In addition, like Uruguay, she has gained great importance in the production and exportation of wool, hides, skins, tallow, meat and its extracts. Paraguay has become important for the export of maté, tobacco, rum, and tanning materials.

Lastly, Brazil has developed into the first coffee producing country in the world, and produces in addition important quantities

of sugar, cotton, tobacco, rubber, dyewood, etc. Only a comparatively small area of this gigantic and fertile country has hitherto been cultivated. In contrast with the natural resources of the soil, the country lacks suitable labour, and since the abolition of slavery in 1888 this disadvantage has become more accentuated.

In all parts of South and Central America, the influence of the North American Union is growing, although the commercial powers of Europe still retain a predominant influence in many of the countries.

TEST PAPER XXIX

1. What is meant by the phrase "commercial supremacy" applied to a country? Is it, in that sense, a desirable economic ideal?
2. To what extent is Spain still a Colonial Power? Account for the present position of Spain in the commerce of the world.
3. Compare the relative importance of Portugal in the world's commerce at the end of the fifteenth and the nineteenth centuries respectively.
4. What are the main industries of Switzerland? To what extent have they been determined by geographical considerations?
5. What were the chief factors which accounted for the economic development of Belgium at the close of the nineteenth century?
6. Summarize the leading considerations which have led to a revival of commercial prosperity in Holland in recent times.
7. When, and with what results, were the Netherlands separated?
8. Mention any facts which, in your opinion, account for the economic prosperity of Denmark.
9. Comment upon the course of commercial development in Norway and Sweden respectively.
10. Trace the decline of the Turkish power in the nineteenth century, and explain the problems which its decline has created in Eastern Europe and the Mediterranean.
11. Sketch the growth of European interests in the Far East before the Russo-Japanese War.
12. Does a study of the historical geography of the Far East offer any explanation of the existing differences in the economic position of China and Japan respectively?
13. Discuss the growth of the foreign trade of Japan during the last half-century.
14. Discuss the political and economic development of the Central and South American States during the nineteenth century.

CONCLUSION

ONE of the most important characteristics of the period from 1851 to 1914 was the prodigious growth in human activity. Assisted by the progress of science and its discoveries, the world has been transformed; ancient peoples have increased their industrial productivity ten, and, in some cases, even a hundredfold; countries hitherto slumbering in the torpor of a prolonged barbarism have been opened up to the influences of commerce. From year to year the uncivilized areas diminish in extent, and it can be easily foreseen that before long both hemispheres will be one continuous workshop engaged night and day in the service of man.

A better idea as to the extent to which the United Kingdom has benefited from the opening up of the world to trade and intercourse may be gained by a careful study of the tables facing page 200, which provide data concerning the progress of the country since the year 1851.

The consequences of the enormous increase of productivity have been numerous and important. The great industrial and commercial nations have been drawn into a new external policy, the principal features of which are the development of a narrow protectionism, which acts as the defensive weapon against threatened foreign competition; colonial expansion, and the adoption of imperialist doctrines, which are the result of the necessity to create new outlets, and, finally, the marked preponderance of the economic factor in determining the course of international affairs.

The greater part of the outstanding features of the last forty years—the Egyptian question, the partition of Africa, the Chinese and Japanese war, the Russo-Japanese War, the Spanish-American War, the Boer War, and the unsettled state of Europe leading to the Great European War—have all been due mainly to economic interests.

THE GREAT EUROPEAN WAR.—A variety of circumstances tended to make the Great European War (1914-1919) the greatest and most destructive in the history of the world, the most important of these influences being—

United Kingdom (Trade, Commerce)

RETURN FOR THE UNITED KINGDOM FOR EACH OF THE YEARS 1851-1914

Year.	(1)	(2)	(3)	(4)	(5)	(6)	(7)		
	Popula- tion (Millions).	Death Rate per Thousand.	Birth Rate per Thousand.	Paupers, Total Average Number, Indoor and Outdoor.	Number of Paupers per 10,000 of the Population.	Total Cost of Poor Relief.	Net Passenger Movement outwards to Places out of Europe.		
							Of British Nation- ality.	Of Foreign Nation- ality.	Of all Nation- alities.
				Average Number.		1,000 £'s.	Number.	Number.	Number.
1851	27.4	*	*	*	*	*	*	*	*
1861	29.0	*	*	1,054,099	364	7,058	*	*	*
1871	31.6	21.5	33.8	1,237,353	393	9,558	*	*	198,608
1881	34.9	18.7	32.5	1,010,473	290	10,155	190,295	119,983	315,409
1891	37.8	20.0	30.4	955,843	253	10,566	115,470	65,078	183,174
1901	41.5	17.1	28.0	979,600	236	13,873	72,016	63,618	137,557
1906	43.4	15.7	27.0	1,113,583	257	16,742	194,671	133,878	327,572
1907	43.7	15.5	26.3	1,102,611	252	16,668	235,092	109,857	341,316
1908	44.1	15.3	26.6	1,110,539	252	17,103	91,156	47,667	43,489
1909	44.5	15.0	25.7	1,132,908	255	17,588	139,693	73,360	213,053
1910	44.9	14.0	25.0	1,091,909	243	17,732	233,709	86,371	320,080
1911	45.3	14.8	24.4	1,084,433	239	17,909	261,809	11,187	272,998
1912	45.5	13.9	24.1	965,567	212	17,254	268,485	47,654	316,139
1913	45.7	14.3	24.1	967,756	212	17,785	241,997	87,076	329,073
1914	46.1	14.4	23.9	925,626	201	17,941	63,334	28,212	91,546

Year.	(15)	(16)	(17)	(18)		(19)		(20)	(21)
	Total Quantity of Home- grown and Imported Wheat and Wheat-flour retained for Home Con- sumption.	Con- sumption of Wheat and Wheat- flour per Head of Popula- tion.	Value of Fish of British Taking landed on the Coasts of the United Kingdom.	Net Imports of Merchandise (deducting Re-exports).		Exports of the Produce and Manufactures of the United Kingdom.		Imports of Bullion and Specie.	Exports of Bullion and Specie.
				Total Value.	Value per Head of Population.	Total Value.	Value per Head of Population.		
	1,000 Cwts.	Cwts.	1,000 £'s.	1,000 £'s.	£ s d.	1,000 £'s.	£ s d.	1,000 £'s.	1,000 £'s.
1851	*	*	*	*	*	74,448	2 14 4	*	9,059
1861	*	*	*	182,955	6 6 6	125,102	4 6 5	18,747	20,811
1871	*	*	*	270,506	8 11 10	223,066	7 1 7	38,140	33,760
1881	107,920	3.1	*	333,962	9 11 6	234,022	6 14 0	16,864	22,502
1891	128,377	3.4	7,009	373,562	9 18 3	247,235	6 10 10	39,591	37,228
1901	127,977	3.1	9,542	454,148	10 18 8	280,022	6 14 10	32,217	26,015
1906	143,048	3.3	11,399	522,786	12 1 2	375,575	8 13 3	63,331	61,483
1907	143,397	3.3	11,718	553,866	12 13 3	426,035	9 14 10	73,072	67,787
1908	134,399	3.0	10,966	513,330	11 12 8	377,104	8 10 11	56,472	63,253
1909	144,611	3.2	11,085	533,360	11 19 8	378,180	8 9 11	66,507	60,035
1910	146,549	3.3	11,740	574,496	12 15 10	430,385	9 11 8	71,422	64,724
1911	143,465	3.2	11,827	577,398	12 14 9	454,119	10 0 5	62,967	57,024
1912	150,925	3.3	12,234	632,903	13 18 2	487,223	10 14 2	69,467	64,871
1913	149,641	3.3	14,693	659,160	14 8 5	525,245	11 9 10	74,029	62,142
1914	147,583	3.2	11,631	601,161	13 0 10	430,721	9 6 11	70,595	41,488

Commerce, and Condition of the People)

YEARS 1851, 1861, 1871, 1881, 1891, 1901, AND 1906 TO 1914, INCLUSIVE.

Year.	(8) Average Gazette Price per Quarter of Wheat, Barley, and Oats.			(9) Average Price of Beet at the Metropolitan Cattle Market. Per Stone of 8 lbs. (sinking the Offal).			(10) Total Value of the Imports of grain, Corn, and Flour.	(11) Total Value of the Imports of Meat, Alive and Dead.	(12) Total Value of the Imports of Food and Drink (exclusive of Tobacco).	(13) Total Value of the Imports of Food and Drink (exclusive of Tobacco) from British Colonies and Possessions.	(14) Total Value of the Imports of Food and Drink (exclusive of Tobacco) per Head of Population.
	Wheat.	Barley.	Oats.	First Quality.	Second Quality.	Inferior Quality.					
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	1,000 £'s.	1,000 £'s.	1,000 £'s.	1,000 £'s.	£ s. d.
1851	38 6	24 9	18 7	3 2½	2 9½	2 5½	*	*	*	*	2 18 0
1861	55 4	36 1	23 9	4 6	4 0	3 3½	37,383	4,246	83,922	17,034	3 18 9
1871	56 8	36 2	25 2	5 4½	4 10½	3 11½	45,601	10,713	123,931	21,853	5 0 9
1881	45 4	31 11	21 9	5 6	5 1	4 5	65,570	25,212	175,694	31,243	4 18 0
1891	37 0	28 2	20 0	4 11	4 4	2 9	66,317	29,851	184,885	35,965	5 5 11
1901	26 9	25 2	18 5	4 7	3 11	2 4	65,209	50,390	220,016	41,388	5 7 8
1906	28 3	24 2	18 4	4 7	3 6	2 9	67,881	52,026	233,439	56,250	5 11 2
1907	30 7	25 1	18 10	4 8	3 7	2 9	75,409	51,888	243,075	51,583	5 8 4
1908	32 0	25 10	17 10	4 9	3 9	2 8	72,733	49,448	238,967	51,603	5 12 0
1909	36 11	26 10	18 11	4 11	4 2	2 10	83,107	47,623	249,333	63,766	5 14 2
1910	31 8	23 1	17 4	5 1	4 5	2 11	77,298	48,879	253,057	71,076	6 0 6
1911	31 8	27 3	18 10	4 11	4 1	2 7	75,761	49,722	258,673	73,248	6 3 5
1912	34 9	30 8	21 6	5 6	4 9	3 2	88,496	49,080	274,229	80,292	6 5 8
1913	31 8	27 3	19 1	5 4	4 7	3 2	85,495	56,726	282,170	75,861	
1914	34 11	27 2	20 11	5 5	4 8	3 11	79,636	63,215	289,506	83,269	

(21) Imports of Wool and Wool Specie.	(22) Income Tax, Yield of each Penny (Years commencing 6th April).	(23) Gross Income brought under In- come Tax (Years com- mencing 6th April).	(24) Amount standing to Credit of Depositors in Post Office and Trustee Savings Banks.	Consumption of Pig Iron per head of Population.	(26) Total Registered Tonnage of British Shipping.	(27) Tonnage of British Shipping entered and cleared in the Foreign Trade at Ports in the United Kingdom.	(28) Tonnage of Foreign Shipping entered and cleared in the Foreign Trade at Ports in the United Kingdom.	(29) Total Clearings at the London Bankers' Clearing House.	Year.
	£	1,000 £'s.	1,000 £'s.	Tons.	Tons. (net).	Tons (net).	Tons (net).	1,000 £'s.	
1851	*	*	30,278	*	3,662,344	9,820,876	6,159,322	*	1851
1861	1,162,250	312,000	41,533	0-11	4,806,826	15,420,532	11,175,109	*	1861
1871	1,654,277	446,000	55,854	0-11	5,694,123	28,034,748	13,513,130	4,826,034	1871
1881	1,915,683	560,000	81,198	0-19	6,691,996	41,543,259	16,406,286	6,357,059	1881
1891	2,238,130	678,193	120,854	0-18	8,279,297	53,957,435	20,855,185	6,847,506	1891
1901	2,531,462	866,993	206,810	0-18	9,608,420	62,270,021	34,409,873	9,561,169	1901
1906	2,666,867	943,702	230,362	0-20	11,167,332	76,465,979	44,324,331	12,711,334	1906
1907	2,666,000	980,117	232,669	0-19	11,485,099	81,306,442	51,963,278	12,730,393	1907
1908	2,784,063	1,009,936	235,439	0-18	11,541,394	77,869,772	53,576,424	12,120,362	1908
1909	2,691,422	1,011,100	240,919	0-19	11,585,878	79,763,971	53,503,711	13,525,446	1909
1910	2,738,912	1,045,834	246,892	0-20	11,555,663	79,815,066	54,215,228	14,658,863	1910
1911	2,830,830	1,070,142	257,027	0-19	11,698,508	81,885,454	57,023,887	14,613,877	1911
1912	2,969,591	1,111,456	264,689	0-17	11,894,791	88,666,788	63,790,257	15,961,773	1912
1913	3,106,809	1,167,184	270,806	0-20	12,119,891	93,249,573	71,560,008	16,436,404	1913
1914			273,750	0-18	12,415,204	78,660,000	61,429,000	14,665,048	1914

United Kingdom (Trade, Commerce, and Industry)

RETURNS FOR THE

(1)	(2)	(3)	(4)	(5)
Year	Population (Millions)	Death Rate per Thousand	Birth Rate per Thousand	Average Number
1851	27.4	*	*	*
1861	28.0	*	*	1,051,699
1871	31.2	21.2	33.2	1,237,353
1881	34.7	18.7	32.2	1,010,478
1891	37.2	20.0	30.4	852,273
1901	41.2	17.1	28.0	679,801
1906	43.4	15.7	27.0	1,113,243
1907	43.7	15.2	26.3	1,102,611
1908	44.1	15.3	26.6	1,110,239
1909	44.2	15.0	25.7	1,132,908
1910	44.9	14.0	25.0	1,081,909
1911	45.3	14.8	24.4	1,084,433
1912	45.2	13.9	24.1	982,297
1913	45.7	14.3	24.1	987,228
1914	46.1	14.4	23.9	922,628

(1)	(2)	(3)	(4)	(5)
Year	Home Consumption (1,000 cwt)	Population (Millions)	Wheat and Flour per Head of Population (cwt)	Value (1,000 £)
1851	1,000	27.4	36.5	1,000
1861	1,000	28.0	35.7	1,000
1871	1,000	31.2	32.1	1,000
1881	1,000	34.7	29.1	1,000
1891	1,000	37.2	27.1	1,000
1901	1,000	41.2	24.5	1,000
1906	1,000	43.4	23.3	1,000
1907	1,000	43.7	23.1	1,000
1908	1,000	44.1	22.9	1,000
1909	1,000	44.2	22.8	1,000
1910	1,000	44.9	22.3	1,000
1911	1,000	45.3	22.1	1,000
1912	1,000	45.2	21.9	1,000
1913	1,000	45.7	21.7	1,000
1914	1,000	46.1	21.5	1,000

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- (1) The wealth and high economic development of the chief belligerents;
- (2) The number of great powers directly involved;
- (3) The perfection and the destructive power of the naval and military armaments of the belligerents.

A careful study of the first decade of the twentieth century makes it quite clear that this terrible war was of Germany's planning. This is revealed in her increase of armaments, her opposition to arbitration, her hostility to the purpose of the Hague Conferences, and the glorification of war on the part of her teachers and writers. For years she had been preparing herself to inflict a crushing blow with all the weight of her powerful army and navy, and thus establish herself as the mistress of the world.

In 1913 the German Government decided upon a large increase in her already tremendous standing army. Huge sums were also appropriated for aircraft and for guns. To pay for this extra equipment additional heavy taxes were voted. The new arrangements were all to be completed by the fall of 1914. Alterations were also hurried on the Kiel Canal. The work of widening and deepening this waterway was undertaken by the Government, and was finally completed on 1st July, 1914. Preparations for the most terrible war in history were at last complete, and all that was needed was a spark to bring about an explosion. In the early summer of 1914 occurred the event that was destined to plunge the world into war. Archduke Francis Ferdinand, heir to the throne of Austria-Hungary, made a visit to the southern provinces of the monarchy. On 28th June, while he and his wife were driving through the streets of Serajevo, in Bosnia, they were mortally shot by an Austrian-Serb. The assassin was a member of a Serbian secret society, which had for its aim the separation of the Serb provinces from Austria-Hungary, and their annexation to the Kingdom of Serbia. The crime caused great excitement and horror throughout Europe. But the deed gave Austria the opportunity to settle its account with Serbia, and thus to put an end to the Serb plottings within the Austrian borders. There is evidence that on 5th July, one week after the murder at Serajevo, a secret meeting of German and Austrian statesmen and generals took place in the German Emperor's palace at Potsdam. Probably at this conference it was definitely decided that the assassination of the Austrian

Crown Prince should be used as a pretext for crushing Serbia. On 23rd July the Austrian Government sent a note to the Government of Serbia, holding her accountable for the murder and making a number of humiliating demands. The reply of Serbia being unsatisfactory to the Austrian Government, the latter declared war, and made immediate preparations for the invasion of Serbia.

Germany must have known that this action would undoubtedly lead to a general European war, since Russia would come to the rescue of Serbia, and France would stand by Russia. But Germany was ready at last, and so the terrible decision was made. Germany, in spite of a long-standing treaty to observe Belgium's neutrality, decided to march through that country as the best route to Paris. Great Britain, as one of the nations which had promised to protect the neutrality of Belgium, immediately demanded of the German Government that it withdraw its plan of invasion. Germany refused, and, on 4th August, Great Britain declared war. Thus one week after Austria's declaration of war against Serbia, all the Powers of the Triple Entente were in arms against Germany and Austria.

Thus began the Great European War, and it was not long before Japan, in accordance with her alliance with England, also declared war against Germany, and in May, 1915, Italy joined the Triple Entente. Bulgaria joined the Central Powers in October, 1915, and in August, 1916, Roumania joined the Triple Entente. Finally America, in spite of her desire to remain neutral, was also obliged to declare war on Germany.

The period of the Great War will be regarded as one of the immense upheavals of the world. There has been no change comparable to it among the States of Europe since the downfall of the Roman Empire; not even the changes wrought by the Arabs and of the Turks. It has new-leavened the minds of the masses of mankind as the Reformation did, or the French Revolution. In the sphere of industry, the period of the War manifested all the characteristics which, in peace time, accompany a period of great expansion, such as rising prices and increased purchasing power.

Industry was conducted at full blast; there was ample work for all, and money wages rapidly increased. The general level of prices rose more than 100 per cent., which was due largely to the enormous war spendings and borrowings of the Government, and

a similar condition of very high prices also existed in all other countries. In the sphere of communications, great developments were made in aerial navigation, and in 1919 the Atlantic was for the first time traversed both by aeroplane and airship. However, the course of invention in the mastery of the air has as yet only begun.

THE PEACE OF VERSAILLES.—On the 28th June, 1919, peace was signed at Versailles, the aim of which was to make Germany powerless to repeat her great crimes against humanity. The chief terms of the treaty were—

(1) Germany was to accept responsibility and pay the cost of the war and all loss and damage caused by it.

(2) She was to give up all her colonies (over a million square miles in all).

(German property and rights in Kiaochau, in China, went to Japan. Her claims in Siam, Morocco, and Liberia were to be given up. She was to recognize Britain's Protectorate over Egypt, and to surrender to Britain her property in Canton.)

(3) Alsace and Lorraine, torn from France in the Franco-Prussian War of 1871, were restored to France. France was given also ownership of the coal mines in the Saar Valley.

(4) Compulsory military service in Germany was to be abolished, and the total army fixed at one hundred thousand. The total personnel of the future German navy was not to exceed 15,500.

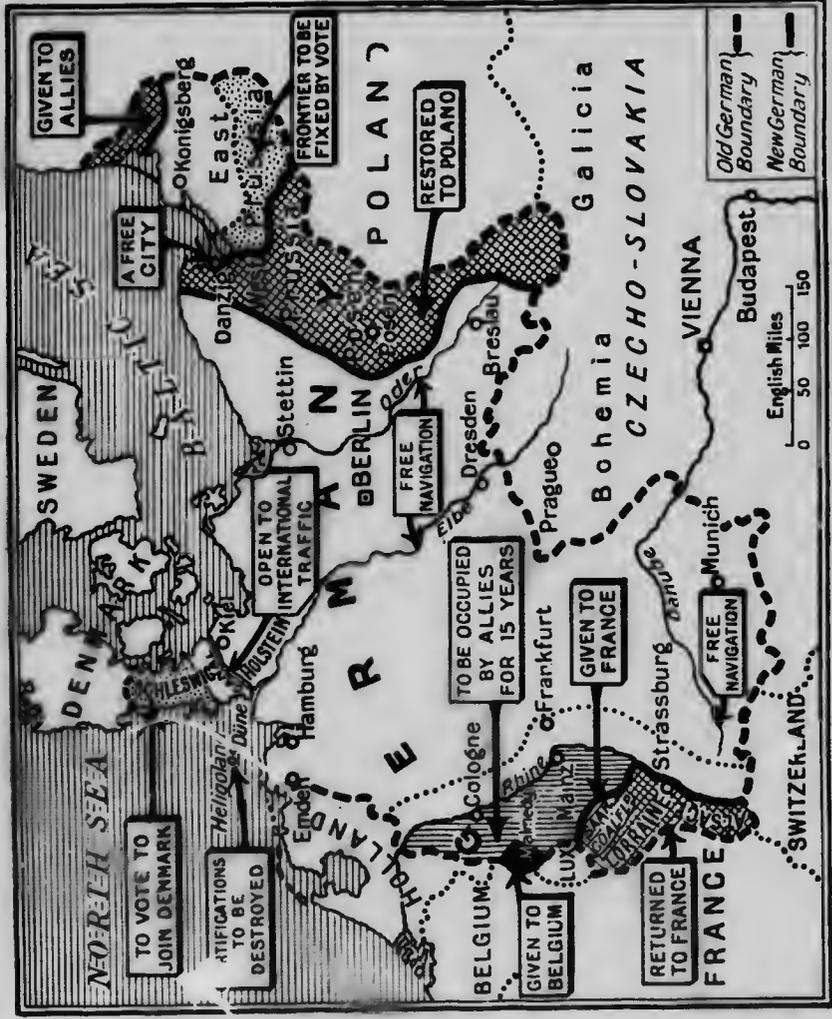
(5) Heligoland was to be dismantled, and the Kiel Canal thrown open to ships of all nations; and parts of the Elbe, Oder, Niemen, and Danube were also to become international waterways.

(6) German territory west of the Rhine was to be occupied by the Allies for fifteen years, or less or more according as the new Germany carries out or postpones carrying out the treaty terms.

(7) Two new States, Poland and Czecho-Slovakia, were established and were to be recognized by Germany, whose frontiers were contracted in the East as well as in the West.

(8) The ex-Kaiser was to be tried by a special tribunal of five judges from Britain, America, France, Italy, and Japan, for his "supreme offence against international morality and the sanctity of treaties".

It would be idle now to speculate on the probable consequences of the Great European War, but it is hoped that the Peace Treaty will knit together more closely the free nations of the British



["Lloyd's News."]

GERMANY AFTER THE PEACE OF VERSAILLES, 1919

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Empire; will weave new ties, strengthening many times the old, between us and our friends in Europe and in Asia; will reveal, as we never before knew them, the multiplicity and the toughness of those which bind us to America; and will consecrate and elevate these friendships on both sides of the ocean by the common adoption and the common pursuit of ideals at once lofty and practical, which have hitherto seemed beyond the hopes of humanity. The whole nation is now looking forward with eagerness to a far-reaching and effective policy of reconstruction. There is so much that urgently requires doing. An improvement in the often wretched and disgraceful conditions of housing, higher real wages, a higher standard of general, technical, and commercial education, a permanent improvement in agriculture, great schemes for the development of commerce and manufactures, all these are absolutely necessary and are being urgently called for. It must be remembered, however, that our hopes can never be fulfilled except by increased efficiency on the part of all, by every worker being worthy of his hire. If the financial burdens of the war are to be met, great sacrifices will also have to be made by the rich. But that is only the beginning. The commercial predominance of the British Empire will in the future depend very largely upon the joint efforts of a united people at home and in the dominions beyond the seas.

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