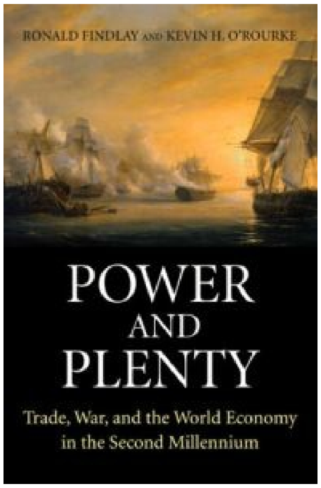

Book Power and Plenty

Trade, War, and the World Economy in the Second Millennium (Princeton Economic History of the Western World)

Ronald Findlay and Kevin H. O'Rourke
Princeton UP, 2007
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Recommendation

Thinking of globalization as a new phenomenon or an inevitable one is all too easy. As scholars Ronald Findlay and Kevin O'Rourke explain in this thorough examination, globalization is neither new nor predictable. In fact, international trade has been a reality for more than 1,000 years and the story of global commerce is one of constant change. For centuries, nations have jockeyed for position, imposed rules and killed each other's citizens in the name of trade. This enlightening work rewards the reader with a depth of understanding and context. However, it would benefit from a more conversational, less academic tone. *BooksInShort* recommends it to readers who want to see world economic affairs in a broader context and perspective.

Take-Aways

- Contemporary globalization is the product of a long, chaotic process of economic development, war, and cultural and social upheaval.
- At the beginning of the second millennium, the Islamic world was the globe's leading economic power.
- The Crusades introduced Europeans to sophisticated tools, such as Arabic numerals.
- For much of the past 1,000 years, goods traveled by two routes: over land or water.
- Trade routes from China to Europe were complicated by the dangers of crossing Central Asia. The *Pax Mongolica* allowed for unfettered movement of goods.
- Mongol armies harnessed a new technology – horses – to control much of the world.
- Iberian explorers in the 15th and 16th centuries opened the new world as a source of gold and cattle hides.
- European colonizers used the brutal strategies of plunder and slavery to build their empires.
- The Industrial Revolution led to growth in both population and living standards.
- Uneven patterns of globalization make international trade's future difficult to predict.

Summary

From Modest Beginnings to Soaring Heights

As China and India boom, and as the world economy becomes ever more intertwined, globalization looks like a recent phenomenon. This is a shortsighted view of world history. Global trade has existed for centuries, always shaped by political, economic and social upheavals. Countless wars have raged over trade. Even in the year 1000, global trade was a reality. At that time, eight regions participated in international trade to varying degrees:

1. **Western Europe** – The region's geographic advantages made it the envy of the world. It had the highest ratio of coastline to land mass, vast swaths of arable land and numerous navigable rivers. While geographic boundaries, such as the Alps, made the region difficult to unite, the Roman Catholic Church pulled it together culturally. With swords and slaves (until the Slavs converted to Christianity and were no longer seen as trade goods) as its primary exports, it evolved into the major force in international trade.
2. **Eastern Europe** – This area, including Russia, Belarus, Ukraine and Turkey, had a more extreme climate and topography than Western Europe. The Byzantine Empire and the Greek Orthodox Church shaped its culture. Its prime exports were slaves, silver and furs. Its 1,000-year economic development followed an uneven path.
3. **North Africa and Southwest Asia** – The dry Middle East includes Egypt, the Arabian Peninsula, the Iranian plateau and Afghanistan. It forms the heart of Islam. The Arab world clearly was the hub of trade at the turn of the first millennium. Its exports included spices, silver, textiles, warhorses and pepper. When it failed to keep pace with technological advances, other areas surpassed it. Oil has returned it to prominence.
4. **Sub-Saharan Africa** – This region exported gold, ivory and rice, but its major export was slaves. The slave trade predated European exploitation. Slaves from Sub-Saharan Africa arrived in the Middle East before Islam existed. Stunted by slavery and colonialism, this remains the world's least economically developed area.
5. **Central Asia** – This 6,000-mile-wide region stretches from Russia in the west to China in the east, encompassing Mongolia. Long a pivotal axis for east-west trade, Central Asia traded silver, slaves and horses. Once crucial to global trade, it's now a backwater.
6. **South Asia** – The Himalayas separate this region from Central Asia. Historically, it exported spices, textiles and teak. In the past millennium, India, which dominates the region, became a British colony, threw off colonialism and grew a vibrant economy.
7. **Southeast Asia** – This rainy, fertile agricultural area includes Thailand, Laos, Vietnam and the Philippines. Over the millennia, it sold spices, rice, perfumes and teak.
8. **East Asia** – This vast, populous region includes China, Korea and Japan. Even as early as A.D. 1000, it already had seen various dynasties emerge and dissolve. Exports included silk, tea, porcelain and copper. Japan and Korea long have been prosperous nations, and China is poised to become the world's leading economic power.

> "Contemporary globalization, and its economic and political consequences, have [arisen] from a worldwide process of uneven economic development that has been...millennia in the making."

Clearly, global trade flourished even in the first millennium, but it was not a seamless process. Goods moved around the globe by land or by sea. Across vast Central Asia, looters threatened overland trading. Ships relied on the prevailing winds, which tended to blow from the southwest in the summer and from the northeast during the winter. Shipments of cargo destined for the world market were at the mercy of the wind and weather. The narrow passages through the Red Sea and past Indonesia also made ships susceptible to the taxation whims of local authorities.

1000-1500: "*Pax Mongolica*" and Black Death

During this period, the Muslim world led commerce and technology. The Crusades, which created protracted conflict between Christians and Muslims, spurred the transfer of technology from East to West. Arabic numerals replaced Roman numerals, giving European entrepreneurs more sophisticated record keeping. Traveling to China, explorer Marco Polo was awed by its wealth and huge shipments of spices. Overland trade from Europe to the Far East became safer in the early 13th century, when the Mongols took over a huge swath of the globe. Led by Gengis Khan, they invaded China in 1211. To exert control, the Mongols slaughtered millions of Chinese. Gengis died in 1227, but his descendants carried on, invading Hungary in 1241.

> "The period from the middle of the 17th century to the early 19th century saw a prolonged struggle among the leading European powers to control the resources, territory and trade of the New World."

At its peak, the Mongol empire included China, Iraq, Iran and much of Russia. The Mongols owed their victories to horsemanship. Mustering 100,000 soldiers for major battles, Gengis Khan's army was relatively small, but it mustered some 20 million horses, so the Mongol invaders always had rested steeds for their battles. Once the Mongols controlled Central Asia's steppes, security no longer posed a problem for overland trade routes. In fact, Mongolian rule eased the way for global trade and created a 100-year *Pax Mongolica*. The Mongols wanted safe routes so they could collect taxes on the traffic. Once trade was secure, prices fell, so traders could buy Chinese silk and sell it in Italy for three times its cost. When the Mongol empire disintegrated in the 1330s, overland trade once again became perilous.

> "The Golden Age of Islam stimulated trade with Western Europe."

As Mongol dominance paved the way for trade, it also created an efficient way for germs to travel to new places. This era of global disease spawned the Black Plague, which killed nearly a third of Europe's population from 1348 to 1351, and decimated Egypt and Syria. The Plague roiled labor markets and national economies. In much of Europe, the population decline caused wages to increase and land values to fall. This labor shortage spurred technological advances, such as Johannes Gutenberg's printing press. European living standards rose, and Western Europe transformed from a minor player in international trade into a major force. The competing Italian ports of Venice and Genoa dominated European trade during the 14th and 15th centuries.

1500-1650: The Rise of Iberia and the Netherlands

Although the Italian city-states dominated European trade as the 16th century began, Spain and Portugal led the opening of new global trade routes to Africa and North America. Seafaring exploration gave the expansion-minded Portuguese – hemmed in by the Atlantic Ocean and Spain – a way to broaden their power. Unhindered by moral misgivings, the Portuguese sold African slaves in Europe and captured Canary Islands natives to toil as sugar farmers. The Portuguese were equally brutal in other spheres. They monopolized the Indian Ocean spice trade by imposing taxes on Muslim traders and ships, treating those who didn't pay as enemy combatants. The Portuguese plundered the Indian subcontinent. These strategies could not be sustained forever, yet the Portuguese mindset allowed no other approach. The Spaniards pioneered transatlantic trade routes that reaped, first, gold, and then a growing trade in animal hides, dyes and other products.

> "Europe was no longer a peripheral player on the margins of Eurasia, but had become the center of the new world economic system."

The late 1500s saw the rise of the Netherlands as a trading power. Thanks to their maritime expertise and mercantile zeal, the Dutch quickly rose to prominence in international trade. Like their Iberian counterparts, they had few qualms about ruling by force. As a governor of the Dutch East Indies Company famously said, "We cannot make war without trade nor trade without war." Taking this edict seriously, Holland built a huge lead in international trade and invested heavily in military might, raising large sums from taxes to defend itself against Spain. The rise of the Dutch, and then the English, put an end to Venice and Genoa as the major ports of entry for Asian goods.

1650-1780: Mercantilism and the Rise of Britain

During this century-plus period, Britain, the Netherlands, Spain, Portugal and France battled for supremacy over the Americas. Britain was ambitious and aggressive about broadening its empire. It started close to home, colonizing neighboring Ireland after Queen Elizabeth I labeled it, "rude and barbarous." England continued to plunder the New World, taking over Jamaica and turning it into a profitable sugar plantation staffed by African slaves. Economist Adam Smith argued that Britain lost money on this colony, but that doesn't stand up to scrutiny. In fact, Britain enjoyed a 10% rate of return from its Jamaican sugar operations. British leaders weren't so sure about the colonies in New England, which Oliver Cromwell called, "a cold, poor and useless place," but the Pilgrims who settled there soon developed a diverse economy based on corn, furs, fishing and shipbuilding.

> "The century that followed the final defeat of Napoleon saw the world's economic structure transformed in so radical a manner that it would have been virtually unrecognizable to a late-18th-century observer."

As Britain's economy improved, its tensions with the Dutch heightened. England and the Netherlands were culturally similar Protestant countries, but competition over trade proved more powerful than religious ties, and three Anglo-Dutch wars broke out in 1652, 1665 and 1672. Trade compromises resolved the disputes. With the growing importance of the New World, the balance of economic power shifted to Europe, although China gained economic health and replaced some of the population it lost to the *Pax Mongolica*. During the "*Pax Manchurica*," China's population soared from 126 million in 1680 to 412 million in 1850.

The Industrial Revolution

Schoolchildren learn about the Industrial Revolution as an era of sweeping, rapid change during which Europe's quality of life accelerated. They also learn from Charles Dickens and other writers that the Industrial Revolution was a time of poverty and suffering. While academics have debated whether the Industrial Revolution was truly revolutionary, the facts show that the years from 1760 to 1830 set the stage for decades of sustained economic growth worldwide. While overall growth was slow, it rocketed in crucial areas, such as iron, coal and textiles. The cotton industry, in particular, profited from impressive, fast-paced technological advances. During the Plague, the way of life improved only when population dropped, but Britain's Industrial Revolution brought an unusual combination of rising population and better living standards.

1780-1914: Steamships and Trains Boost Trade

Political squabbles in the late 18th and early 19th centuries created major setbacks for world trade. In 1792 and 1793, France launched wars against Austria, Prussia and Britain. The war with Britain, in particular, disrupted trade, as both nations imposed trade bans on each other. Such disputes continued until 1815, when the European nations called a truce, and returned to the business of colonizing and globalizing. The Industrial Revolution led to the invention of steamships, larger and less reliant on the weather than sailing ships. In 1869, the opening of the Suez Canal cut nearly 4,000 miles off the trade routes between Asia and Europe. The advent of the railroad was another seminal event for world trade. Steamships and trains lowered the cost of transporting goods, which increased the volume of trade. The wealth of grains and other commodities arriving from abroad lowered British food prices. During the 19th century, international trade transformed from a small-scale endeavor into a massive flow of goods.

1914-1939: Great War, Great Depression

Just as the European wars in the late 18th century crippled global trade, so too did World War I. Again, technology played a major role. While the British maintained naval superiority and blockaded Germany, the Germans used submarines to impose a counterblockade. Though the war disrupted commerce, many economies boomed. With European agriculture stymied, farmers in other regions flourished. Wheat from the U.S., beef from Argentina, and sugar from Cuba and Java picked up the slack. However, the end of the war brought more turmoil. With Europe back on track, lower demand for their crops damaged farmers in the U.S., Cuba and Java. Economic struggles led to protectionist policies in the U.S. and elsewhere. When the Great Depression hit in 1929, protectionism only accelerated, further destabilizing international commodity markets.

1945 and After: "Reglobalization" Takes Hold

World War II also was hugely disruptive to world trade. Many governments actively sought to hinder trade. The war even hurt uninvolved regions, such as Latin America, since the crucial European market no longer accepted imports. The postwar period saw the return of liberal trade policies in the U.S. and Europe, but globalization proceeded only in fits and starts. Communist regimes that were openly hostile to trade controlled huge parts of the globe. For decades after WWII, the USSR and China would not trade with capitalist economies. Moreover, the European powers lost many former colonies (India, Indochina, Indonesia), so they could no longer take trade with them for granted. However, many former colonial satellites re-entered world markets by the beginning of the 21st century. India and China became vigorous players. Proponents of globalization often assume that ever-liberalizing trade is part of the natural order. But as history shows, international commerce never proceeds in even, predictable patterns. Instead, globalization always has been followed by periods of "deglobalization" and "reglobalization."

About the Authors

Ronald Findlay is a professor of economics at Columbia University and the author of *Factor Proportions, Trade, and Growth*. **Kevin H. O'Rourke** is a professor of economics at Trinity College, Dublin, and a co-author of *Globalization and History*.