

## Mercantilism and the Commercial Revolution

# The Commercial Revolution

As the Europeans explored and colonized new territories, their economies were transformed dramatically in a period known as the Commercial Revolution.

Let's take a look at what these changes were and what was involved.



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# Business Practices



Goal of businesses during the Commercial Revolution was the same as it is today - to make a profit

Capitalism is an economic system where businesses compete for buyers by producing the products people want and selling them at the lowest price.

## ***Narration Text***

The goal of businesses during the Commercial Revolution was the same as it is today - to make enough money to pay off the original investment, to make a profit for the people who own the business, and to invest in other ventures. The capitalist economic system that we have in the United States today is based on the principle that businesses and individuals start businesses and compete for profits by selling goods or services to people. Capitalism is rooted in many of the economic developments that developed more fully during the Commercial Revolution.

# Banking Practices

As they are now, banks were the main lenders during the Commercial Revolution

By 1600s, government-sponsored banks were the largest

The Netherlands led the banking industry



## ***Narration Text***

Banks played a large role in the Commercial Revolution by lending money to individuals who wanted to start businesses, and businesses that wanted to expand their operations. Business ventures were expensive and required capital, or money to invest in equipment and other items. Banks became the primary source of capital for businesses. They lent out their deposits to borrowers and made a profit on the interest for the loan, or extra money that the borrower pays for the loan.

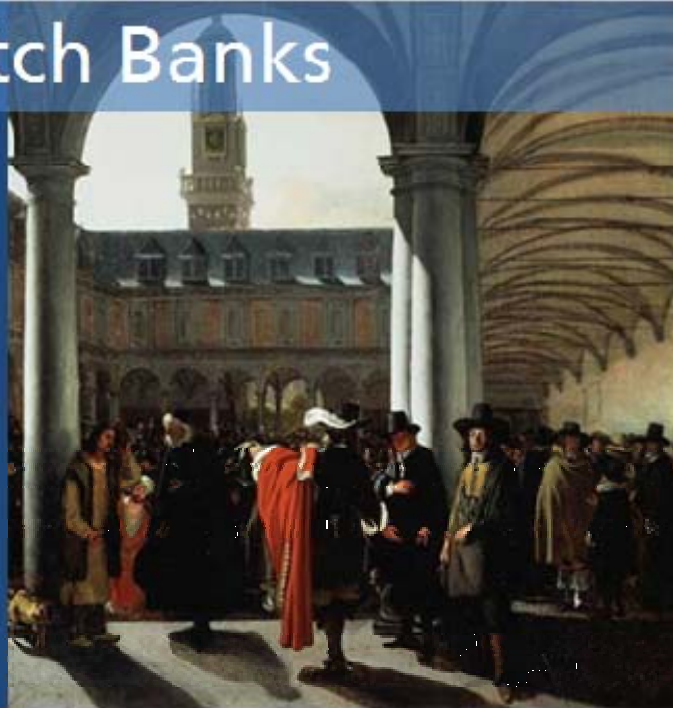
The earliest banks were controlled by banking families such as the Medici. By the 1600s, banking families were replaced by government sponsored banks. The Amsterdam Exchange Bank (established in 1609) was considered the safest and best bank in Europe.

# Dutch Banks

Leaders in government-sponsored banks

- Banknotes
- Checks
- Currency Exchange

Dutch government sponsored Dutch East India Company



## ***Narration Text***

The Netherlands (Holland) became the leaders in government-sponsored banking in Europe. Dutch banks offered a number of services such as issuing checks as a substitute for large payments of coin money, which helped to increase the use of paper money in Europe. People or businesses could also go to these banks if they needed to buy one country's currency using another's.

Imagine that you had English money that you got from selling goods to England, but you lived in France and wanted French currency. You could go to the Dutch banks to exchange one for the other.

During the Commercial Revolution, some governments started to support joint-stock companies. The Netherlands supported the Dutch East India Company by giving it a monopoly on trade and granting it powers similar to the military.

# Mercantilism



Economic practice adopted by European colonial powers in an effort to become self-sufficient; based on the theory that colonies existed for the benefit of the mother country.

## ***Narration Text***

As Europe expanded through colonization, new theories developed about how countries became wealthy and powerful. Mercantilism, the belief that countries should become self-sufficient especially by exploiting their colonies, was the leading idea at the time.

As part of mercantilism, European powers believed that exporting more products than they imported was crucial to becoming wealthy. Colonies were an important part of this process because the mother country would get raw materials from the colonies to use for manufactured goods which they could then sell back to the colonies or other countries. Under mercantilism, the colonies existed for the sole good of the mother country.

European countries competed for overseas colonies in order to gain more raw materials and markets for their goods. The colonial economies were limited by the economic needs of the mother country. This one-sided relationship had a great impact on the development of the colonies and how they were integrated into the world economy.

The triangular trade is a good example of mercantilist trade where raw materials were shipped to Europe so that they could be processed into goods which were then sold back to the colonies.

# Africa's Role in World Trade



Europe looked to

- Exploit Africa's raw materials
- Get more slaves
- Sell manufactured goods

## ***Narration Text***

Europe looked to colonize Africa in order to exploit the abundance of raw materials, like gold and ivory, on the continent. African colonies could help the European countries become self-sufficient.

They also wanted to control this region so they could get more slaves to work in the colonies in the New World.

In addition, Africa was a new market in which Europeans, Asians, and Americans could sell their manufactured goods and textiles. Many new agricultural products were imported to Africa, including corn and peanuts.

# Effects on European Society



## ***Narration Text***

Mercantilism and colonialism had a number of effects on European society. Population size and urbanization increased during the Commercial Revolution. European towns started to grow into cities as people wanted to be close to trade and commerce centers.

Merchants and businessmen became extremely wealthy, surpassing even the nobility in wealth in many cases. This weakened the nobility and provided more opportunity for social and economic advancement among common people.

The peasants continued to be poor and the gap in wealth between the rich and the poor became even greater. Those in the city who did not work were scorned. Religious leaders and governments alike began to emphasize the value of work.

Colonies later became places where Europe's population would expand. Many countries had the poor, as well as criminals, settle in their colonies. However, colonial economies were limited by the economic needs of the mother country.