

# Chapter 6: Revival of Capitalism and the Expansion of Europe

*The era of the Renaissance and Reformation was accompanied by the emergence of a modern capitalist economy and an age of exploration and expansion. The explorations of the late fifteenth and sixteenth centuries brought Europeans to Africa south of the Sahara and to Asia and resulted in the discovery of the two continents of the New World.*

## The Revival of Capitalism

### Definition of Capitalism

The revival of capitalism was the most important economic development of early modern times. As defined in *The Random House College Dictionary*, capitalism is “an economic system in which investment in and ownership of the means of production, distribution, and exchange of wealth is made and maintained chiefly by private individuals or corporations.” Those engaged in capitalistic enterprises are motivated primarily by their desire for profit.

### Decline of Capitalism in Middle Ages

Capitalism had existed in ancient Greece and Rome, but it had declined following the collapse of the Roman Empire in the West. During the Early Middle Ages, the period from about 500 to about 1000 A.D., capitalism largely disappeared in Western Europe. Each community possessed virtual economic self-sufficiency. The manorial system promoted cooperation in agriculture, while the guild system emphasized cooperation in handicraft industry and trade. The quest for profits was discouraged, as the church insisted on the concept of the “just price,” which involved the cost of materials plus labor. In addition, the church condemned the lending of money for interest as usury. The Jews were the only Europeans not bound by the laws of the church, and they practiced whatever small-scale money-lending there was.

### Growth of Trade

Over the course of the Middle Ages, a gradual change occurred in the economy of Western Europe. The manorial system and the guild system both began to decay. Trade increased, and towns grew in size and number. The Crusades contributed significantly to the revival of trade by familiarizing Europeans with the spices and luxury goods of the East and creating a demand for these goods in Europe.

#### Italy

The Italian cities benefited most from the revival of trade. In the fourteenth century, Venice defeated Genoa, its major rival, and the Venetians gained a near monopoly on trade

with the East. Milan prospered as a center for trade between Italy and Europe beyond the Alps.

#### Northern Europe

In Northern Europe, the Hanseatic League, which developed during the thirteenth century, dominated trade. At its height, the Hanseatic League included about eighty German towns on the North Sea and the Baltic Sea. The Hanseatic League dealt mainly in raw materials, including lumber, iron, tar, leather, and wood, along with food products such as salted fish and grain and some luxury goods. The league established trading posts in Russia, Scandinavia, the Netherlands, and England. Elsewhere in Germany, other important commercial centers developed, including Cologne on the Rhine River and Nuremberg and Augsburg in southern Germany. London and Paris also became major trading centers, as did Amsterdam, Antwerp, and Bruges in the Netherlands.

### Banking

As economic activity increased, so, too, did demands for capital. Despite the church’s ban on usury, growing amounts of money were lent for interest. Some theologians began to argue that earning interest on money lent for useful and productive purposes was morally legitimate.

#### Italy

While Italy was a major center of trade, it also led the way in the development of banking. The Medici family and other Florentine bankers established branch operations elsewhere in Italy and in other parts of Europe, as well, while independent banking operations got under way in Venice, Milan, Genoa, and other cities.

#### Northern Europe

In Germany, the Fugger family of Augsburg became prominent in banking. During the fifteenth century, under the leadership of Jacob Fugger (1459-1525), known as Jacob the Rich, the Fugger family’s wealth increased as a result of its development of silver mines in the Tyrol and copper mines in Hungary and its trade in wool, silk, and spices. The family also profited from loans made to the Holy Roman emperors and the popes.

## The Beginning of European Exploration

### Motives for Exploration

The desire of Europeans to bypass the Venetians and the Moslem middlemen in the Near East and gain direct access to the products of Asia provided a major motive for

exploration. By the fifteenth century, the European demand for the spices and luxury goods of Asia far exceeded the supply, and there was a great potential for immense profits.

Religion also provided a powerful motive for exploration. Christianity had always been a missionary religion. During the Middle Ages, the Christian faith had been extended to virtually all of Europe, and the desire increased to bring the Christian gospel to other areas of the world.

## Technological Advances

During the fourteenth and fifteenth centuries, a number of advances were made in ship construction and in aids to navigation. An improved compass, with a fixed dial and accurate pivoting needle, was introduced, while the astrolabe was used to determine latitude. It did not become possible to calculate longitude accurately, however, until the perfection of the chronometer in the eighteenth century.

## Geographic Knowledge

The Europeans' knowledge of geography lagged behind their technological accomplishments. In the fifteenth century, maps and charts remained crude and inaccurate, and Europeans continued to accept the work of Ptolemy, a Greek astronomer and geographer of the second century A.D. Ptolemy's work on geography, usually referred to by its Arabic name, the *Almagest*, suffered from many inaccuracies.

## Early Explorers

During the Middle Ages, a few Europeans had journeyed to Asia. Marco Polo (c. 1254-c. 1325), a Venetian, traveled overland to China in the late thirteenth century, and a few other Europeans also made their way to Asia. John of Monte Corvino, a monk, served for a time as a missionary in Persia and India and then went to China, settling in Peking. In the early fifteenth century, Niccolò de' Conti (c. 1395-1469), a Venetian merchant, visited India, Ceylon, and Burma, as well as the islands of Sumatra and Java in the East Indies. Nevertheless, European knowledge of geography remained severely limited.

## Portugal: East by Sea to the Indies

### Prince Henry the Navigator

Prince Henry the Navigator, a son of Portugal's King John I (r. 1385-1433), developed an intense interest in Africa. In particular, he hoped to carry the Christian religion to Africa and to establish contact with the Christians of Abyssinia (Ethiopia). Reports of Abyssinian Christianity

had reached Europe, exciting hopes that Abyssinia might be the land of the legendary Christian prince, Prester John. The legend of Prester John had first appeared in Europe in the twelfth century and continued to fascinate the European imagination.

### *Expeditions to Atlantic Islands*

In 1419, Prince Henry established a school of seamanship and navigation, and expeditions he dispatched achieved considerable success. The Portuguese explored the Madeira Islands in 1420 and the Azores in the period from 1427 to 1431. In 1460, Portuguese explorers discovered the Cape Verde Islands. Within a few years, the Portuguese developed the fishing industry in the Azores, while Portuguese settlers began to produce wine in the Madeiras. The Cape Verde Islands became a center of sugar production.

### *Enterprise in Africa*

In the meantime, the Portuguese began the exploration of the west coast of Africa, rounding Cape Bojador in 1434. In 1441, the Portuguese reached Cape Blanco, south of the Tropic of Cancer. A slave-trading station was established on Arguim Island in Cape Blanco Bay in 1442. In addition to the slave trade, the Portuguese profited from African gold, ivory, and ebony. They also traded in exotic animals and birds, including monkeys and parrots, which became popular among wealthy Portuguese. Distracted by their profitable enterprises in Africa, the Portuguese lost interest for a time in further exploration.

## The Portuguese Empire in Asia

### *Diaz*

In 1487, King John II (r. 1455-1495) of Portugal dispatched an expedition led by Bartholemew Diaz (d. 1500), which made its way southward along the west coast of Africa. In 1488, Diaz rounded the Cape of Good Hope, at Africa's southern tip, and returned to Portugal to report his achievement.

### *Da Gama*

In July 1497, Vasco da Gama (c. 1469-1524) left Portugal and sailed around the Cape of Good Hope. In East Africa, he secured the aid of an Arab pilot who directed him on the route to Calicut on the Malabar coast of India. Arriving in May 1498, da Gama loaded his ships with luxury goods to prove that he had reached the fabled Malabar coast. He returned to Lisbon in 1499.

### *Cabral*

In 1500, Pedro Cabral (c. 1467-c. 1520) set out for India. Sailing far west of his course, he reached the coast of Brazil, which he claimed for Portugal.

### *Commercial Centers*

Vasco da Gama's discovery of the route east by sea to the Indies opened the way to the development of a Portuguese commercial empire in Asia. In 1510, a Portuguese expedition led by Afonso de Albuquerque (1453-1515) took Goa on the Indian coast. Goa quickly became Portugal's main naval base and commercial center in Asia. Moving beyond India, Albuquerque took Malacca on the Malay peninsula in 1511. Malacca became the center for Portuguese trade with the East Indies, including the Moluccas, known as the Spice Islands. Also in 1511, the Portuguese gained a trade monopoly in the Chinese port of Canton. The first Portuguese ship reached Japan in 1542. In 1557, the Portuguese established a trading station at Macao on the southern coast of China, making Macao the oldest permanent European settlement in Asia.

### *Shift of Trade to the Atlantic*

The Portuguese discoveries ended the Venetian and Moslem monopoly on trade with Asia. By dealing directly with Asian merchants, the Portuguese could considerably undercut the prices charged by the Venetians for spices and luxury goods. The center of European commerce now shifted away from the Mediterranean Sea toward the Atlantic Ocean. The decline of Italy as a trading center also had a negative impact on the commercial cities of southern Germany, which stood at the northern end of the transalpine trade routes. In addition, the shift of trade to the Atlantic reduced the economic importance of the Baltic Sea and led to a decline in the prosperity of the Hanseatic League.

## **Spain: West by Sea to the Indies**

### **Christopher Columbus**

Christopher Columbus (1451-1506), a Genovese seaman, believed it was possible to sail west by sea to the Indies. By the fifteenth century, European geographers generally accepted the idea that the earth was round, although they considerably underestimated its circumference. Columbus calculated that the distance from Europe to what was called Zipangu (Japan), sailing westward across the Atlantic Ocean, was only 3,000 miles.

### *Discovery of the New World*

Columbus tried, without success, to interest the Portuguese in his project. He then turned to Queen Isabella (r. 1474-1504) of Spain, who was anxious to compete with her Portuguese neighbors. On August 3, 1492, Columbus left the Spanish port of Palos with his three small ships, the Niña, the Pinta, and the Santa Maria. On October 12, Columbus's expedition reached the island of San Salvador in the Bahamas. Columbus believed he had succeeded in reaching Asia. Continuing his exploration of the Caribbean area, Columbus sighted Cuba on October 27 and on December 5 reached the

island of Hispaniola, where modern Haiti and the Dominican Republic are located.

### *Subsequent Voyages*

Columbus made three subsequent voyages, in 1493-1496, 1498-1500, and 1502-1504. During these voyages, he established a base on the island of Hispaniola; discovered Trinidad, the Virgin Islands, Puerto Rico, Jamaica, and other Caribbean islands; and explored the coast of Central America and the mouth of the Orinoco River. Despite increasing evidence to the contrary, Columbus continued to insist that he had discovered a new sea route to Asia.

## **Lines of Demarcation**

Shortly after Columbus returned to Spain from his first voyage, Pope Alexander VI (r. 1492-1503), a Spaniard, established the Papal Line of Demarcation of 1493. The line assigned to Spain all newly discovered lands one hundred leagues west of the Azores and the Cape Verde Islands. Newly discovered lands east of that line were assigned to Portugal.

The Portuguese protested the line drawn by the pope, and Portuguese-Spanish negotiations led to the signing of the Treaty of Tordesillas in 1494. The treaty established the line of demarcation at a point 370 leagues (about 1,100 miles) west of the Cape Verde Islands. Under the terms of this treaty, Brazil lay in the Portuguese sphere.

## **The Spanish Empire in America**

During the early sixteenth century, the Spanish followed up on the voyages of Columbus.

### *Ponce de León and Balboa*

In 1513, an expedition led by Ponce de León (c. 1460-1521) discovered Florida. In the same year, a party led by Vasco de Balboa (c. 1475-1519) made its way across Panama to the Pacific Ocean, which he called the South Sea.

### *Cortés and Pizarro*

From 1519 to 1521, Hernan Cortés (1485-1547) conquered Montezuma's Aztec empire in Mexico, while Francisco Pizarro (c. 1476-1541) overran the Inca empire in Peru, ruled by Atahualpa, in 1532.

### *Coronado*

From 1540 to 1542, Francisco de Coronado (c. 1510-1554) explored what became the southwest United States, traveling as far north as the present state of Kansas.

### *Government of Spanish America*

In Central and South America, the Spanish created an empire of settlement. The Indians became subjects of the Spanish king and were converted to Christianity. Spain governed its American empire through the Council of the

Indies in Spain and viceroys in America. Spanish colonial government emphasized royal authority, and the American colonies gained few rights of self-government.

## The Voyage of Magellan

In September 1519, Ferdinand Magellan (c. 1480-1521) set out on a voyage in search of the elusive route west by sea to Asia. He sailed along the east coast of South America and made his way through the straits that are still known as the Straits of Magellan. He called the Ocean at the western end of the straits the Pacific because of its gentle winds.

Setting his course to the northwest, Magellan then sailed out of sight of land for nearly two months before reaching the Mariana Islands.

Sailing to the southwest, Magellan reached the islands that later came to be called the Philippines, in honor of King Philip II of Spain. Here, in April 1521, Magellan was killed.

Two of Magellan's ships, the *Trinidad* and the *Victoria*, continued the voyage, sailing to Borneo and the Molucca Islands. The *Trinidad* then set sail for Panama but was wrecked en route. The *Victoria* sailed through the Indian Ocean and around the Cape of Good Hope, arriving in Spain in September 1522. It had succeeded in circumnavigating the globe, thus removing any remaining doubts about whether the earth was truly round and demonstrating that the world was much larger than anyone had imagined.

## The Naming of America

The New World acquired its name in the aftermath of voyages made by Amerigo Vespucci (1454-1512), a Florentine sailor. In 1499-1500, Vespucci explored the Atlantic coast of South America in the service of Spain, and he made a second voyage in 1501-1502 in the employ of the Portuguese. Vespucci's voyages confirmed that Columbus had not reached Asia but had in fact discovered a New World.

Vespucci's detailed reports received wide publicity, and when Martin Waldseemüller, a German geographer, published his map of the world in 1507, he labeled the southern part of the New World "America," the Latin form of Amerigo. While the term was applied at first only to South America, by the late sixteenth century all of the New World had come to be known as America.

## English and French Explorations

Voyages of exploration conducted by the English and French in the late fifteenth and early sixteenth centuries were on a smaller scale than those of Portugal and Spain and produced less spectacular results.

### Cabot

In 1497 and 1498, John Cabot (c. 1450-c. 1498), a Genovese sailor, perhaps accompanied by his son, Sebastian (c. 1483-1557), made two voyages along the northeast coast of North America.

Employed by King Henry VII (r. 1485-1509) of England, Cabot hoped to find a northwest passage leading to Asia. Henry won lost interest in the undertaking, although English claims to North America were based on Cabot's voyages.

### Verrazano

In 1524, Giovanni da Verrazano (c. 1480-c. 1527), an Italian sailing in the service of France, explored the North American coast. Verrazano may have been the first European to enter New York harbor.

### Cartier

In 1534, the French explorer Jacques Cartier (1491-1557) began the first of his voyages to Canada in search of the northwest passage. During his second voyage, in 1535-1536, Cartier sailed up the St. Lawrence River as far as the present site of Quebec city. In 1541, he made another voyage to the same area. Cartier's voyages established France's claims to North America.

Despite these voyages, neither England nor France established permanent settlements in North America until the early seventeenth century.

*The revival of trade and the development of capitalistic enterprise in Europe served as a powerful impetus for exploration. Within the space of a few generations, Europeans came to dominate much of the globe. In turn, exploration and discovery provided a further stimulus for Europe's continuing economic growth.*