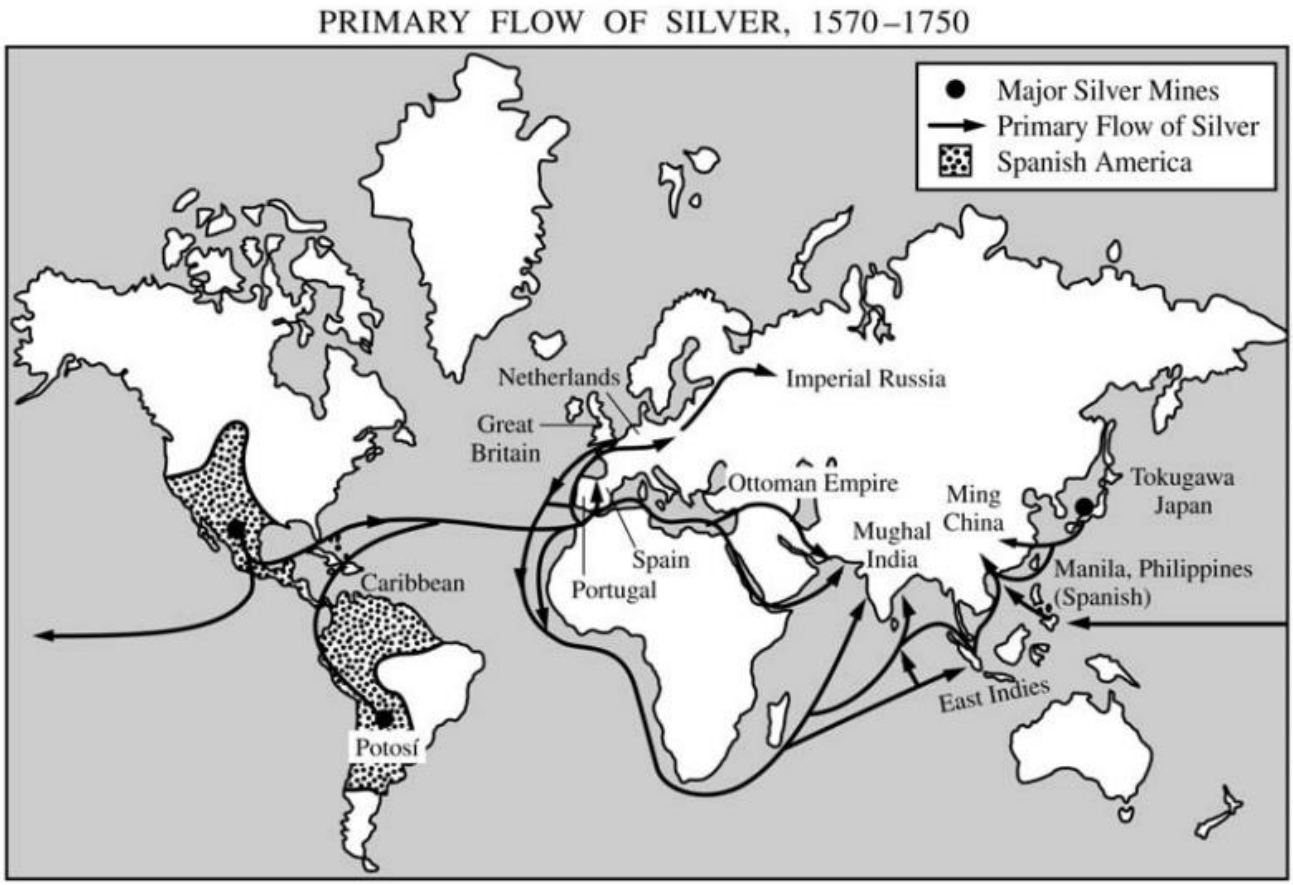
Historical Context: Silver Connects the World



China
By the fifteenth century, China had been producing prized commodities like silk, jade, tea, and porcelain for hundreds of years. The Chinese exchanged these items within a thriving system of domestic trade, long-distance land-based trade, and tributary trade with nearby states. Because of these well-established trade networks, there were few trade items the Chinese needed from other channels.

That changed in the mid-fifteenth century, when the Ming government's century-old system of using paper currency finally collapsed. At that point, the government adopted silver as its preferred medium of exchange, and promised from then on to pay all salaries — and to collect all taxes — in silver. The result was an explosion in demand for silver throughout China. Without adequate silver resources of its own to satisfy such demand, however, China had to look beyond its own borders.

Initially, the Chinese imported most of their silver from Japan, whose mines produced nearly a third of the world's silver output in the sixteenth and seventeenth centuries. However, by the 1540s it was already clear that the Chinese demand would outstrip the Japanese supply. It was at nearly that moment that silver from the Peruvian mine at Potosí was making its way onto the market — a historical convergence that would set the first global trading network in motion.

The Americas
Unlike the Chinese — who felt little need for European trade items — Europeans in the sixteenth century desperately wanted to obtain Chinese silks, tea, and porcelain. With the discovery of the richest silver mine in history in Spanish-controlled Peru, Europeans discovered they finally had something the Chinese desperately needed.

The site of the mine, Potosí, became the most populated city in the Americas (150,000 people) and required the forced labor of thousands of Indians to produce its precious metal. Profits were enormous. At first, the flow of Peruvian silver to the huge Asian market was slowed because it had to move east across the Atlantic. But in 1565 the Spanish discovered winds that allowed them to travel directly between East Asia and their territorial empire in Mexico. Then, with the founding of Manila in 1571 in the recently conquered Philippines, the Spanish established a Pacific trading base between China and Mexico.

The voyages that began in the year 1571 — called the Manila Galleon — mark the beginning of the first truly global trade between the Americas, Europe, Asia, and Africa. By that time, Spanish America was the world's most important silver-producing region, and China by far its biggest consumer.

Europe, East Asia, and West Africa

The effects of the global trade in silver were worldwide and linked the world in new and unprecedented ways. In Japan, the Tokugawa shoguns grew rich off the trade in silver, which they used to strengthen the state against warlords. In addition, the global silver trade encouraged the Japanese to produce other commodities for export, which then made their way to the Americas, Europe, and West Africa.

In West Africa, Europeans involved in global trading networks brought a variety of commodities to coastal regions to trade for gold, local goods, and slaves. Eventually, this trade had profound effects on West African society: It reoriented trade routes toward the coast rather than across the Sahara, which led to the decline of interior states. It also led to an increasing traffic in humans to work, among other places, in the silver mines of the Americas.

In the Americas, silver mining at Potosí led to the deaths of eight million Indians. Meanwhile, Mexican silver production — which exceeded Peruvian production by the eighteenth century — resulted in the minting of half a billion Mexican pesos that were then used for currency in China, India, and West Africa.

In China, the demand for silver initially drove the global economy. Then, by 1750, silver glutted the Chinese market, bringing its price down and leading to inflation. The devaluation of silver in China had a devastating financial effect on Spain as well — a fact that allowed its European competitors to gain the upper hand in a new global trade focused on sugar, tobacco, gold, and slaves.

Source: Bridging World History (Annenberg/CPB Media), Unit #15, <http://www.learner.org/courses/worldhistory/>

Using the documents, analyze the social and economic effects of the global flow of silver from the mid-sixteenth century to the early eighteenth century.

Document 1

Source: Ye Chunji, county official during the Ming dynasty, order issued to limit wedding expenses, 1570's.

The frugal man with only one bar of silver currency can have something left over, whereas the extravagant man with a thousand can still not have enough.

Document 2

Source: Tomás de Mercado, Spanish scholar, *Manual of Deals and Contracts*, Seville, 1571.

High prices ruined Spain as the prices attracted Asian commodities and the silver currency flowed out to pay for them. The streets of Manila in the Spanish territory of the Philippines could be paved with granite cobblestones brought from China as ballast* in Chinese ships coming to get silver for China.

*A heavy substance used to improve the stability of a ship.

Document 3

Source: Wang Xijue, Ming dynasty court official, report to the emperor, 1593.

The venerable elders of my home district explain that the reason grain is cheap despite poor harvests in recent years is due entirely to the scarcity of silver coin.

The national government requires silver for taxes but disburses little silver in its expenditures. As the price of grain falls, tillers of the soil receive lower returns on their labors, and thus less land is put into cultivation.

Document 4

Source: Ralph Fitch, British merchant, an account of his travels to the East Indies, published in 1599.

When the Portuguese go from Macao, the most southern port city in China, to Japan, they carry much white silk, gold, perfume, and porcelain and they bring from Japan nothing but silver. They have a great ship that goes to Japan every year, and brings back more than 600,000 coins' worth of Japanese silver. The Portuguese use this Japanese silver to their great advantage in China. The Portuguese bring from China gold, perfume, silk, copper, porcelain, and many other luxury goods.

Document 5

Source: Xu Dunqiu Ming, writer, in his essay in *The Changing Times*, about the commercial city of Hangzhou, 1610.

In the past, the dye shops would allow customers to have several dozen pieces of cloth dyed before settling accounts and charging the customers. Moreover, customers could pay for dying the cloth with rice, wheat, soybeans, chickens, or other fowl. Now, when you have your cloth dyed you receive a bill, which must be paid with silver obtained from a moneylender.

Document 6

Source: Antonio Vázquez de Espinosa, a Spanish priest, *Compendium and Description of the West Indies,* 1620's.

The ore at Potosí silver mine is very rich black flint, and the excavation so extensive that more than 3,000 Indians worked away hard with picks and hammers, breaking up that flint ore; and when they have filled their little sacks, the poor fellows, loaded down with ore, climb up those ladders or rigging, some like masts and others like cables, and so trying and distressing that even an empty-handed man can hardly get up them.

So huge is the wealth that has been taken out of this range since the year 1545, when it was discovered, up to the present year of 1628, that merely from the registered mines, according to most of the accounts in the Spanish royal records, 326,000,000 silver coins have been taken out.

This does not count the great amount of silver taken secretly from these mines to Spain, paying no 20 percent tax or registry fee, and to other countries outside Spain, including the Philippines and China.

Document 7

Source: He Qiaoyuan, Ming dynasty court official, report to the emperor on the possibility of repealing the 1626 ban on foreign trade, 1630.

The Spanish have silver mountains, which they mint into silver coins. When Chinese merchants trade in Southeast Asia and the Indian Ocean, they trade the goods we produce for the goods of others. But when they go to Luzon (Philippines) they only return with silver coins. Chinese silk yarn worth 100 bars of silver can be sold in the Philippines at a price of 200 to 300 bars of silver there. Moreover, porcelain from the official pottery works as well as sugar and fruit from my native province, are currently desired by the foreigners.

Document 8

Source: Charles D'Avenant, an English scholar, "An Essay on the East-India Trade" regarding the debate on a bill in Parliament to restrict Indian textiles, 1697.

Since we were supplanted in the spice-trade by the Dutch, our chief investments or importations from the East Indies have been in dyed cotton cloth, silks, drugs, cotton-yarn, and wool; part of which commodities are for our own use, but a much greater part, in times of peace, were brought to London for sale to France, Germany, the Netherlands, Spain, Italy, and our colonies.

For Europe draws from Asia nothing of solid use; only materials to supply luxury, and only perishable commodities, but sends to Asia gold and silver, which is there buried and never returns.

But since Europe has tasted of this luxury, since the custom of a hundred years has made Asian spices seem necessary to all degrees of people, since Asian silks are pleasing everywhere to the better sort, and since their dyed cotton cloth is useful wear at home, and in our own colonies, and for the Spaniards in America, it can never be advisable for England to quit this trade, and leave it to any other nation.