Chapter 8: Foundations of Historical Globalization

How do you get the things you need or want? Most of us earn money, go to a store, and purchase what we need. We can even acquire things produced far, far away because of globalization. Through our networks of planes, trains, trucks, ships, goods are transported from far and wide so that we will buy them. These trade networks focus our attention on one question:

To what extent did historical globalization change people’s lives?

Early Global Trade:

Have you eaten an orange lately? This fruit does not grow well in Canada’s climate, so we ship them in from places such as Brazil and California. At one time, northern Europeans thought of oranges as a very special treat, to be enjoyed only on rare occasions.

Despite the long months of travel required to get items such as oranges, people still wanted things they could not grow or make in their own environment. People’s desires for goods spurred on international trade.

International Trade: The exchange of raw materials and manufactured goods among distant groups pf people. International trade has since developed into the extensive global trading networks discussed in chapter 1.

When people traded material goods, they also learned different languages and exchanged ideas. Few traders actually traveled an entire route between East and West.
The Silk Road:
The Chinese Emperor Wu Di (141-87 BCE) wanted the very large Iranian warhorses that were extremely effective in battle. Wu Di sent his general Zang Qian, but the general failed to obtain the horses. However, he did find a route to the West. Zang Qian has been honored as the founder of the Silk Road. Eventually Emperor Wu Di acquired warhorses by force. After the Chinese controlled much of Central Asia, trade began in earnest between the East and West.

The Silk Road is a name given to the network of trading routes that lay between the Mediterranean Sea and China. The three routes of the Silk Road ran between mountain ranges, along the edges of deserts, and up river valleys. Both European and Asian traders traveled the routes. They passed through bustling market towns, hiked rough trails, and rested at an oasis inhabited by many, varied peoples.
-During the Tang Dynasty (618-907 CE), China developed a strong international ocean trade. They traded with many peoples, including Arabic and European.

-Arab seafarers sailed into European ports to trade Chinese goods for European goods. Not until the 1300’s were Europeans driven by their own ambitions to explore distant parts of the globe.

-Europeans eventually developed an economic system called MERCANTILISM. Under mercantilism, governments (monarchs) controlled international trade to increase their wealth. They sponsored colonies, which provided natural resources.

<table>
<thead>
<tr>
<th>Monarch</th>
<th>Company</th>
<th>Colony</th>
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<tbody>
<tr>
<td>grants</td>
<td>operates a</td>
<td>operates a</td>
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<tr>
<td>authority to...</td>
<td>business in...</td>
<td>business in...</td>
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<tr>
<td>gives a portion of profits to...</td>
<td>sends natural resources to...</td>
<td>sends natural resources to...</td>
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-In the system of mercantilism Monarchs controlled the right of trade for their own benefit. They granted the right to trade to friends, relatives, and allies. These friends paid high taxes in return, so the Monarch made even more money.
-Sometimes the **Monarch** would grant a friend a **Monopoly** (the sole **right** to gather and trade in a particular **good**). Today monopolies **exist** when a business has no **competition** in a market, such as when a product or service is controlled by one company.

**3 Examples of Monopolies:**

1. The **Dutch** East **India** Company was founded in 1602. It held a monopoly for **200** years. It’s role was threefold. It **brought** money into the Dutch **treasury**. It fought the **enemies** of the Dutch monarch. Finally, it **prevented** other European nations from entering the East **India** trade in **Indonesia**.

2. In **1627**, the **French** crown granted Le Chavalier Isaac de Razilly and his company of **One Hundred Associates** a charter over **New** France. The company profited from the **fur trade**. In return the company **established** a **French colony**.

3. In **1670**, two **Frenchmen**, Pierre Espirit Radisson and Medard Chouart Des Groseilliers told some exaggerated stories about **North America** to King Charles II of England. King Charles II created the HBC (**Hudson’s Bay Company**) and gave it the sole **right** to trade furs in North America.

**Balancing the Benefits?**

**Was mercantilism a good thing for Europeans?**

-**Absolutely**, they were able to build permanent colonies and extract **raw resources** to be sold for profit for many years.
Did the Indigenous people benefit from mercantilism?

- **Yes** and No.

- The colony required *income* from the fur trade, which depended on the *skills*, and expertise of the *First Nations*. So, First Nations *benefited* from the trade partnership that was born to some degree.

- In many parts of the world, however, *Indigenous* peoples were unable to *resist* European resource *exploitation* or permanent *occupation* of their lands.
Question: What values drove capitalism?

Capitalism is the foundation for modern economic globalization. Governments of the world embrace capitalistic values to get ahead in the world. It’s all about making a profit - ask yourself this: Do you like to make money? Do you like to make the most amount of money for the least amount of work? You are not alone!

Values of capitalism:

- respect for profit
- personal responsibility
- competition
- consumerism
- economic freedom

We always may think of capitalism as a good economic system - and it is. But like everything in this world - there are always good things and bad things with all of the issues that we discuss. What are some of the horrors of capitalism that you can think of?

Early Capitalism

Capitalism is similar to mercantilism where mercantilism as an economic system was designed to increase the wealth of monarchs. Capitalism as an economic system is designed to increase the wealth of business people.

Through mercantilism, merchants built up their respective wealth along with the monarchs. Some business people went into money lending and made money by charging interest. Others financed large scale business enterprises in trade an manufacturing. Wealth was being generated to support the business people and their families but money was also being reinvested to help generate more wealth. It takes money to make money. This was the start of the economic system known as capitalism. The business people wanted to use their money freely, without the government or the monarch interfering with their mercantilist principles.
Competition and Freedom

18th century Europe was full of turmoil and political change. People challenged the rights of monarchs and nobles and these people demanded more rights and freedoms for the ordinary common folk. For the ordinary business people of the day, a free market was required with citizens having political freedom as well. Political freedom and a free market are important for a true capitalistic economy to exist. In a free market, government does NOT restrict or control how people make or spend their money. Too much freedom of choice however will lead to bad things - which will be explained soon. For capitalism to be MOST effective though, private ownership of business, open competition, and people supporting the idea of the profit motive is required. What is the profit motive you may ask? Again, ask yourself, do you like to make money? If the answer is yes - you have just answered what profit motive is - it is the motivation to make a profit.

A Scottish philosopher and economist named Adam Smith (1723-1790) was a huge critic of mercantilism and of monarchies granting monopolies to explorers to exploit overseas markets. He believed that individualism and competition should be encouraged and that these values would bring more wealth - especially to those who were the “strongest”, the “hardest working” and the most “entrepreneurial”. If monarchs could allow for more personal freedom for all people and NOT just the upper class, many more individuals would succeed, survive, and make huge profits.

Adam Smith’s book called The Wealth of Nations along with the writings of Thomas Malthus, David Ricardo, and John Stuart Mill among others became the foundation of the modern economic system of capitalism.

Write down these thinkers four key ideas concerning modern capitalism:
(page 133 - top)

1. __________________________________________________________________________
2. __________________________________________________________________________
3. __________________________________________________________________________
4. __________________________________________________________________________
Early capitalists and modern capitalist alike have one common argument and that argument centered around the creation of wealth.

*One position of the argument is that creation of wealth is good if the wealth is shared with the disadvantaged of society.

*Another position of the argument is that the creation of wealth should NOT exploit workers or damage the environment and welcome the interest of governments in our modern day economies. Governments CAN control capitalism (essentially not a FREE MARKET) by redistributing the wealth of a nation by raising or lowering taxes - monetary and fiscal policies.

Look at the diagram *(Figure 8-11)* on page 134 to see how the Canadian governments attempts to control the abuses of capitalism.

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**Full Steam Ahead** *(page 134)*

*Question: How did industrialization change people’s lives?*

**Steps to modern day capitalism**
1. Early international trade led to mercantilism so monarchs could get rich.
2. Mercantilism led to capitalism so business people could get rich.
3. Capitalism is the driving force behind industrialization - the economic phenomenon that has had an impact on and changed ALL people’s lives on this planet.

With mercantilism, Europeans sought out raw materials in North America, South America, Africa, and Asia. They used these raw materials in their manufacturing industries. European countries increased their manufacturing to the point where the majority of their population was involved in manufacturing industries instead of agricultural industries.
The first countries to industrialize were Great Britain, France, Spain, and Belgium. The industrialization of these European countries made possible the extensive global economic networks of Imperialism. Canada became an industrialized nation much later than these European countries and Canada became an industrialized nation over a much longer period of time.

Effects on Working People (page 137)
Under the modern factory system, entrepreneurs owned the factories, machinery, tools, and materials. These business owners hired workers as cheaply as possible so they could make good profits. Entrepreneurs made huge profits selling manufactured goods to the emerging consumer class.

Working conditions for the people of the industrial revolution of many European countries were less than favorable for the workers; There are many accounts of unhealthy and unsafe workplaces for men, women, and children. The problem was that governments believed in capitalism because it allowed people to support themselves. Capitalism also believed in personal responsibility but the government nor the entrepreneurs felt it was their responsibility or their obligation to protect the workers. Over time, people protested and the government responded. A free market was not working and there had to be some type of government involvement in the economy. The governments of the industrialized nations had to listen and make laws to protect the working people. However, as you will read on page 138 and 139 - working conditions that we believe to be unthinkable in the past still exist in many developing nations of the world today!

COMPARE THESE BELOW!!!

THEN

NOW