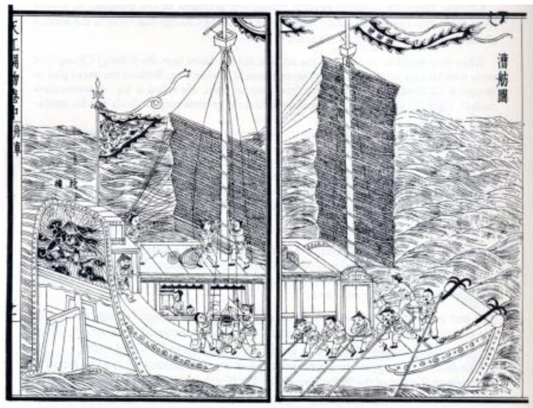
Silver as a Global Commodity



Early Chinese trading vessel

Prior to the 16th century, silver was used in small quantities for trading but due to several changes within various societies, it was to become the dominant medium of exchange.

Early forms of currency used in global trade

Africa – gold, cowrie shells and copper (red gold)
South American and the Pacific Islands – sea shells
Eurasia – gold and silver

There were two major reasons why silver became the preferred medium of exchange

1. Changes in China

China had been producing commodities such as silk, porcelain, jade and tea for centuries and demand for these goods had built an extensive domestic trading network within the country. In addition, any Chinese trade for basic goods within the Indian Ocean and East African regions was limited; China really did not need outside commodities.

This all changed in the mid-fifteenth century when the Ming government no longer used paper money and changed their monetary system to silver. All salaries and taxes were now to be paid in silver.

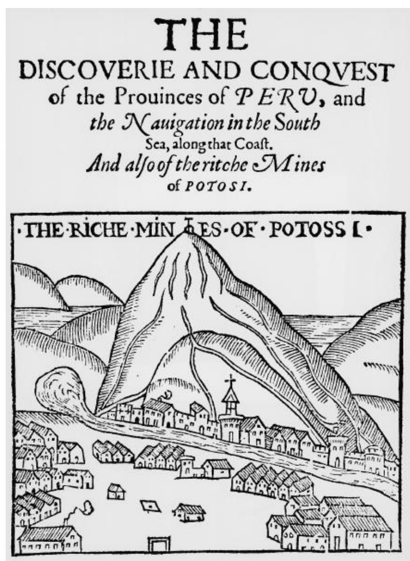
China did not have enough silver resources and mines within its own country so they had to look elsewhere for their source. Japan was the third largest producer of silver at this time. The Tokugawa shogunate used this silver trade to dominate financially over the warlords and create other goods for overseas markets.

The Japanese controlled one third of the world supply of silver but even then, the change in demand from China meant that the Japanese did not have enough of this mineral to satisfy such demand.

2. Western European Exploration

Beginning in 1500, when Spain conquered South America, they found that the region contained vast resources of silver. They could now control the supply that was eagerly demanded by China. The invention of larger sailing ships with moveable sails, rudders and navigation instruments, made maritime trade a global affair. However the Western European countries, especially Spain, were not the dominant nations in global trade. The earlier Asian and Eurasian nations still remained the most important trading nations until the 1800s. European countries simply became intermediaries for the global network.

In the sixteenth century, European countries desperately wanted Chinese silk, teas, porcelain and jade but the Chinese wanted nothing that the Europeans had to offer. This all changed when the Spanish discovered the worlds largest silver mine in Potosí, Peru. It soon became the largest city in South America with a population of over 160,000 people. Thousands of native Indians were used as the labor force to extract the silver from the mines. The treatment of these people was harsh. Many died in the mines but huge profits were to be made by the Spanish so they had little regard for human life.



At fist the flow of silver to the Asian market was slow. The Spanish sent it east across the Atlantic Ocean to Spain and then to Asia. However, in 1565, the Spanish discovered wind patterns that now allowed them to travel directly between East Asia and Mexico. In 1571 the Spanish conquered the region we know as the Philippines and from there they created a trading base for their Peruvian silver and Asian goods. The voyages of these Manila Galleons began the era of the first true global trade networks between the Americas, Europe, Asia and Africa. Spanish America became the world's larges silver producer and China its largest customer.

Consequences of the Silver Trade

- In Potosí silver mining caused the deaths of eight million Indians

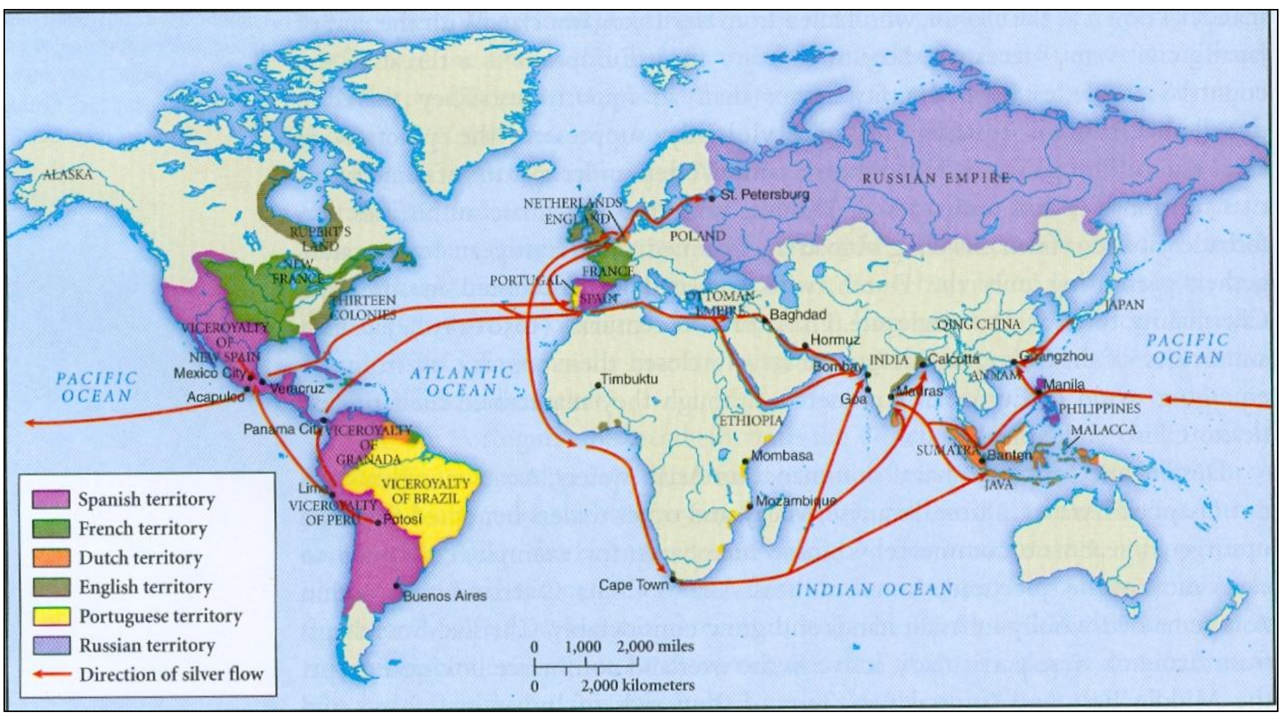
- In West Africa the demand for slaves to work the silver mines increased. Coastal cities emerged and dominated the trading networks. The once powerful interior cities and regions declined in importance. The overland trade routes across the Sahara Desert became less important.

- New silver mines were made in Mexico. By the 18th century, these mines produced more than those in Peru. The Spanish minted over half a billion Mexican silver pesos that were then used as currency in West Africa, India and China.

- By 1750, there was too much silver on the global market. This caused a drastic reduction in its value and caused inflation within China. This also created a financial disaster for Spain and allowed other Western European countries to gain more power in the global market. They now produced cash crops such as sugar and tobacco and traded in gold and slaves. Spain was no longer the dominant Western European power.

- China's constant demand for silver and not for Western European goods eventually led to the *Opium Wars* and the *Opening of China*.

The Global Silver Trade



Strayer, Robert W., *Ways of the World, A Global History*, Bedford/St. Martins, p. 442