South German silver, European textiles, and Venetian trade with the Levant and Ottoman Empire, c. 1370 to c. 1720: a non-Mercantilist approach to the balance of payments problem, in Relazione economiche tra Europa e mondo islamico, secoli XIII - XVIII, ed. Simonetta Cavaciocchi

Abstract

A recurrent and indeed persistent problem in European economic history – a veritable deus ex machina -- from medieval to modern times, is Europe’s supposed ‘balance of payments’ problem in trade with the ‘East’. This supposed problem has often been couched in Mercantilist overtones: namely, that export of supposedly large volumes of precious metals, especially, silver to conduct trade with, first the Levant, and then with the rest of Asia meant a serious drainage of wealth from western Europe. This seems to be particularly true in the debate about the late-medieval ‘Great Depression’ in which some contend that this balance of payments ‘deficit’ led to monetary contraction, deflation, and then economic depression. This paper, while not denying periodic problems of monetary contraction and indeed deflation, provides a non-Mercantilist perspective on not just European but global trade from the fourteenth to early eighteenth centuries. It offers the following related theses: (1) That late-medieval monetary contraction was far more related to falling outputs of mined silver and to reductions in the income-velocity of coined money and the related problem of hoarding, the roots of which were the growth of international warfare from the 1290s, significantly financed by coinage debasements; and together they provided serious barriers to the international flow of specie and bullion, and indeed to the emergence of bullionist philosophies, which are the very core of Mercantilism. (2) That, insofar as such monetary contractions did lead to deflation, that deflation, in augmenting the purchasing power of silver (gram for gram), provided the profit motive for the technological solutions to this very same problem: namely, innovations in both mechanical and chemical engineering that produced the South German silver-copper mining boom, which quintupled Europe’s silver supplies from the 1460s to the 1540s, when even cheaper supplies of silver were arriving from the Spanish Americas. (3) That South German silver-copper mining boom, controlled by German merchant bankers who also controlled the now thriving fustian-textile (linen-cotton) industry, had two related consequences: (a) it was a major factor in the revival and expansion of the European economy in general and the growth of the Antwerp market in particular, via new transcontinental trading routes from Venice through Germany to the Brabant Fairs, based on a tripod of English woollens, South German metals, and Portuguese spices. (b) at the same time, it promoted a great expansion in Venetian trade with the Levant, to acquire not only Asian spices but also large quantities of Syrian cotton to feed the booming German fustians industry. (4) While the 15th-century Venetian trade with the Levant did indeed require large amounts of silver, perhaps enough to pay for two thirds of goods acquired in the Levant, the 16th century commerce with not just the Levant but the far larger Ottoman Empire benefited from a very new trade: the exports of fine quality Venetian woollens. This paper examines the reasons for both the rise and fall of the Venetian cloth industry (5) While traditional explanations for the rapid decline of the Venetian cloth industry in the 17th century have focused on Venice’s own ‘internal faults’, this paper offers an alternative explanation: how England’s new Levant Company and the English cloth industries so successfully gained a major share of Ottoman and Persian markets, at the direct expense of Venice; through a combination of diplomacy and superior naval technology. Their success meant that even less silver was required to conduct this trade with the Ottoman Empire, than had been true for Venice. (6) A further major factor in the decline of Venice in the 17th century was the final loss of the Asian spice trades, which had involved close Venetian ties with the Ottomans, to the Dutch and the English, who succeeded where the Portuguese had failed. That story in turn allows us, with much more ample data, to examine the nature of vastly larger ‘balance of payments deficits’, so that as much as 80 percent of Asian goods had to be acquired with silver. That silver came not from Europe but principally from the Spanish Americas. Thus the major thesis of the paper is that first the South German and then the Spanish American silver mining booms greatly benefited Europe by promoting a vast increase in truly global trade.

- Item Type: MPRA Paper
- Original Title: South German silver, European textiles, and Venetian trade with the Levant and Ottoman Empire, c. 1370 to c. 1720: a non-Mercantilist approach to the balance of payments problem, in Relazione economiche tra Europa e mondo islamico, secoli XIII - XVIII, ed. Simonetta Cavaciocchi
- Language: English
- Keywords: Venice; Levant; Ottoman Empire; South Germany; Antwerp; Portugal; England; Asia; East Indies; balance of payments; gold; silver; international trade; textiles; woollens; worsteds; Old and New Draperies; fustians; spices; cottons; maritime trade; ship-building; piracy


Brulez, Wilfrid, ‘L’exportation des Pays Bas vers l’Italie par voie de terre au milieu du XVle siècle,’ Annales: ESC, 14:3 (Jul-Sept 1959), 461-91

Brulez, Wilfrid, De firma Della Faille en de internationale handel van Vlaamse Firma’s in de 16 eeuw (Brussels, 1959).


Chaudhury, Sushil, From Prosperity to Decline: Eighteenth Century Bengal (New Delhi: Manohar, 1995).

Cipolla, Carlo, Guns, Sails and Empires: Technological Innovation and the Early Phases of European Expansion, 1400-1700 (New York, 1965)


Hoshino, Hidetoshi, 'L'arte della lana nel basso medioevo: il commercio della lana e il mercato dei panni fiorentini nei secoli XIII-XV (Florence, 1980).


Spufford, Peter, Money and Its Use in Medieval Europe (Cambridge, 1988).


Van der Wee, Herman, 'Anvers Market and the European Economy, 14th to 16th Centuries, 3 vols. (The Hague, 1963), vol. II: Interpretation.


Van der Wee, Herman, and Jan Materné, 'Antwerp as a World Market in the Sixteenth and Seventeenth Centuries,' in J. Van der Stock, ed., Antwerp: Story of a Metropolis, 16th-17th Century (Gent, 1993), pp. 19-31.


Van der Wee, Herman (with John Munro), 'The Western European Woollen Industries, 1500-1700,' in David Jenkins, ed., The Cambridge History of Western Textiles (Cambridge and New York, 2003), pp. 397-472.


South German silver, European textiles, and Venetian trade with the Levant and Ottoman Empire, c. 1370 to c. 1720: a non-Mercantilist approach to the balance of payments problem, in Relazione economiche tra Europa e mondo islamico, secoli XIII - XVIII, ed. Simonetta Cavaciocchi. John H. Munro, Giorgio Mori, Giuseppe Pansini, Hans Pohl, Carlo Poni, Henryk Samsonowicz, Christopher Smout, Jean-Pierre Sossen, Rolf Sprandel, Ugo Tucci, Herman van der Wee, Valentín Vázquez De Prada, Immanuel Wallerstein. John H. Munro South German Silver, European Textiles, and Venetian Trade with the Levant and Ottoman Empire, c. 1370 to c. 1720: A Non-mercantilist Approach to the Balance of Payments Problem. The Northern Europeans' trading activities in the Ottoman and Persian lands were crucial in this development. In the sixteenth century, the Italians had control of Europe's trade with the Levant, not only in textiles, wines, oils and fruits coming from the Mediterranean region and purchased in the Ottoman ports in the East Mediterranean, but also in the spices and silks shipped overland from the countries bordering the Indian Ocean. But towards the end of the century, the picture of Europe’s trade began to change in the Levant by the Northern Europeans' entering the boundaries of the Empi... Due to these privileges, the Ottoman sultan granted the right to the French to protect the harbi merchants in the Levant.