

The Impact of Exploration on European Commerce and Economies

Major European Trade Routes, About 1750



The voyages of explorers had a dramatic impact on European commerce and economies. As a result of exploration, more goods, raw materials, and precious metals entered Europe. Mapmakers carefully charted trade routes and the locations of newly discovered lands. By the 1700s, European ships traveled trade routes that spanned the globe. New centers of commerce developed in the port cities of the Netherlands and England, which had colonies and trading posts in faraway lands.

Exploration and trade contributed to the growth of capitalism. This economic system is based on investing money for profit. Merchants gained great wealth by trading and selling goods from around the world. Many of them used their profits to finance still more voyages and to start trading companies. Other people began investing money in these companies and shared in the profits. Soon this type of shared ownership was applied to other kinds of business.

Another aspect of the capitalist economy concerned the way people exchanged goods and services. Money became more important as precious metals flowed into Europe. Instead of having a fixed price, items were sold for prices that were set by the open market. This meant that the price of an item depended on how much of the item was available and how many people wanted to buy it. Sellers could charge high prices for scarce items that many people wanted. If the supply of an item was large and few people wanted it, sellers lowered the price. This kind of system is called a *market economy*.

Labor, too, was given a money value. Increasingly, people began working for hire instead of directly providing for their own needs. Merchants hired people to work in their own cottages, turning raw materials from overseas into finished products. This growing cottage industry was especially important in the making of textiles. Often entire

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families worked at home, spinning wool into thread or weaving thread into cloth. Cottage industry was a step toward the system of factories operated by capitalists in later centuries.

A final result of exploration was a new economic policy called *mercantilism*. European rulers believed that piling up wealth was the best way to build their countries' power. For this reason, they tried to reduce the things they bought from other countries and increase the items they sold.

Having colonies was a key part of this policy. Nations looked to their colonies to supply raw materials for their industries. They profited by turning the materials into finished goods that they could sell to other countries and to their own colonies. To protect the valuable trade with their colonies, rulers often forbade colonists from trading with other nations.

Questions

1. Define the following terms associated with the commercial revolution in Europe:
 - capitalism
 - market economy
 - cottage industry
 - mercantilism
2. In what ways did the Age of Exploration help spur the commercial revolution in Europe?