The Globalisation of Trade in the 18th Century

By Peter Wolf, © MoneyMuseum
(Translated by Geoffrey P. Burwell)

The great soberers

Why do people drink so much tea in Britain? And since when? What did they drink before? All these questions, apart from the first one, are relatively easy to answer. In the years from 1650 to 1700 England imported altogether just 181,545 pounds of tea. From 1700 to 1750 it was no less than 40 million pounds. And that only covers the imports on which duty was paid; smuggling is likely to have accounted for as much again. So tea became a mass drink in England in the first half of the 18th century. Before that, around 1700, England was the world's largest consumer of coffee; this record was then taken over by the Continental Europeans, led by the French and the Dutch.

But whether coffee or tea – these hot drinks originating from the colonies had first become fashionable in the trend-setting classes in the course of the 17th century. The early-morning tea or coffee replaced flour or beer soups and ousted beer and wine from their hitherto unchallenged positions. That is why many contemporaries extolled the exotic drinks as the "great soberers," which was fitting for an age in which reason, enlightenment and efficiency became the highest values.

Globalisation in the 18th century?

So drinking tea had become one of the marks of a new age. And its enjoyment was not restricted to the upper classes alone. The "daily bread" of the English industrial worker around 1800 consisted principally of potatoes and tea sweetened with sugar. The sweetened tea in particular was very suitable as a source of energy at the time of early industrialisation. It subdued feelings of hunger, warmed the body and yet could be easily and quickly prepared, even in the workplace – and it did not make you drunk.

All three products named above did not originally come from Europe: growing potatoes had been learnt in America, the tea had to be imported from China and India and sugar mainly from the West Indies. In other words, expanding European trade overseas meant not only that life in the colonies changed. But now it was possible in the most remote corners of the British Isles to buy groceries from the colonies, adding new facets to everyday life.

Doesn't all this – world-wide contacts, networks and dependencies – sound reminiscent of a term that became fashionable at the beginning of the 21st century, namely globalisation? Or to put the question in another way: Hasn't much-discussed globalisation been going on for hundreds, perhaps even, as some believe, for thousand of years? And didn't the actual "globalisation boost" take place not through internet and mobile phones but perhaps through the tea clippers and slave ships of the 18th century? To answer these questions we have to follow the devious paths of trade at this time. It would be best to start our inquiry at quite an inconspicuous point – for example, the relatively tiny cowry shell.

Cowry shells and glass beads

Only on very few islands in South-East Asia can these small, yellowish-white shells of the tiger cowry be found. Ever since pre-historic times they had served as a means of payment. Indian merchants exchanged these cowry shells on the Maldives for rice and spices. The cowry shells could be resold to European traders in India – for gold and silver. The Europeans then took the shells to London and Amsterdam, where millions of them changed hands in the 18th century.

But what on earth did people do with cowry shells in Europe? In Europe itself nothing at all, and here no farmer would have given you as much as a sack of wheat for these "worthless" snail shells. The shells first became valuable when they were exported to Africa – shells or delicate glass beads such as were produced in the Netherlands or also in the small glass factories in Bohemia and Bavaria. On the "Black Continent" you could use them to buy an extremely precious, actually priceless, commodity: human beings.

Slave trading in Africa

Africa's history has always been linked to the slave trade. The countries in the north, whether the Roman Empire or the Arab world, built up their economies not least on the labour of African slaves. The Western Europeans were no different: when in the 15th century Portuguese ships ventured further and further southwards along the West African coast there were also slave traders on board. All the European countries which in the centuries that followed engaged in trade by sea took part in the ever expanding trade in human beings from Africa. In the 1780s some 75,000 people a year were finally leaving the continent against their will – more than ever before or after. In this "business" the Europeans never captured the slaves – this job was carried out by African states and potentates. For this they demanded a high price. The African slave traders were paid with iron bars, weapons, gunpowder, tobacco, Indian fabrics, but also with cowry shells and the glass beads specially produced for this purpose. So before the actual purchase of slaves a movement in production and trade had been started across continents.

Bitter sugar

The darkest chapter in the European slave trade is the transport of people from Africa to America: the "middle passage." The journey, lasting one to two months, on the overcrowded slave ships exacted a heavy toll in human lives. What was important for the ship owners was an optimum occupancy of the ship's hold. Thus on the ships from Liverpool an area measuring 182 x 41 centimetres was available for a man and 177 x 41 centimetres for a woman. At the end of the 18th century English legislation improved the situation slightly, but did little to change the relatively high mortality rate.

But why was it profitable to buy slaves in Africa for a high price and take them to America? The destination provides the answer: the overwhelming majority of the slave transports headed for the West Indies, to Barbados and above all Jamaica. Here there were the great sugarcane plantations. Unlike, for example, tobacco growing, the production of sugar required a large number of unskilled workers, who were not available in sufficient numbers in America. So manufacturing sugar meant slavery. It was the driving force of the famous "Atlantic triangular trade": West Indian sugar to Europe, European goods to Africa, slaves to the West Indies. Since the end of the 17th century, this trade, controlled by Dutch and English merchants, had resulted in new European consumer habits (sugar for sweetening), new forms of colonial production (cane sugar plantations) and new African routes for trading in slaves. The only aspect that is not included in such a reckoning is the human misery that these continental trade relations entailed.

Gold and silver

Sugar was the motor of the Atlantic trade. But even its significance fades in comparison to the precious metals which were obtained in South and Central America. The annual deliveries of silver to Europe from Mexico and Peru, the "gold-rush" which seized Brazil at the beginning of the 18th century, was inseparably tied up with the system at that time of worldwide trading relations. Silver imports had been so extensive since the 16th century that the Central European mining regions (Bohemia, Tyrol, Harz) lost their central importance and suffered a decline – early "victims of globalisation," so to speak.

But only a smaller part of the gold and silver remained in Europe – for making coins or for luxury objects. It is estimated that about half of all the precious metal mined in America was shipped on to Asia by European merchants, as the Asian luxury goods – for example, spices, fabrics, Chinese porcelain – had to be paid for in hard cash. In Asia the precious metals found their way, on the one hand, into the coffers of the rich and powerful. On the other, they formed the basis for the entire exchange system in China and India being "monetised," i.e. operating with the help of coins made of precious metal. So gradually an economic network began to cover the world, bringing with it changes everywhere. Europe was not its centre, but one player among others.

The Manila Galleon

The traders from Europe did not always have only their original home country in mind. Thus, for example, they engaged in trading inside Asia, for instance, the Netherlands in trade between Japan and the Moluccas. The most spectacular trade route in early modern times was, however, that taken by the Spanish sailing vessel, the Manila Galleon, the most dangerous regular shipping route in the world. Each year two large galleons (300 to 2000 tonnes) and an aviso (advice ship) set sail from Manila in the Philippines to Acapulco in Mexico. The voyage lasted from four to seven months; the average mortality was around 75% for passengers and crew!

Why were people prepared to undertake such a trip? Of course, on account of the enormous profit margins. Spices, silk goods, Chinese porcelain, lacquer ware and Indian precious stones were shipped to America. In the colonies these goods sold for prices several times higher than in China or the Philippines. And the freight on the return journey consisted almost entirely of only one particular and highly-coveted product: Mexican silver. The great annoyance of the merchants in Seville and Cadiz was understandable. They actually had the monopoly for overseas trade but could not impose it against the direct trade across the Pacific. This raised the question of whether this almost unbridled trade by the Europeans was actually still being controlled from Europe.

The great companies

Indeed the European monarchies were really hardly managing to coordinate the worldwide trading connections any longer. But since such coordination was necessary, the great trading companies replaced the still relatively weak states. The most important of these companies were the Dutch East India Company (Verenigde Oost-Indische Compagnie: VOC) and the English East India Company (EIC). These trading companies were already organised along similar lines to present-day limited companies, so they possessed quite a large amount of capital. It was decisive that the respective governments made means of enforcing their state power available to these private companies: trading monopolies, tax exemption, but above all the right to wage war. Europe needed these powerful companies to establish itself in Asian trade.

By 1700 the VOC had set up a network of about 50 stations throughout Asia; it was based in Batavia in Java. Thanks to the large companies with their employees on the spot, their financial backers in Amsterdam and London and the flow of precious metals from America, in the early 18th century the first economic system to span the world emerged. It is probably here that the answer is to be found to the question of why the English switched from coffee to tea after about 1730: tea had to be imported from China, which at that time was still economically independent. This was made possible through the monopoly of the East India Company, while it was usually independent merchants who made a profit from coffee. In short, individual merchants made a profit from coffee, but companies operating worldwide from tea. Was this not to become a sign of early globalisation?

Cotton and the Industrial Revolution

One more question remains unanswered: To what extent did this early globalisation actually change Europe? Here it is worthwhile taking a look at Britain. Because the Dutch were almost all-powerful in the East Asian island-world, the British merchants concentrated on the Indian mainland. Here, since the beginning of the 18th century, domestic unrest had been breaking up the powerful Mogul empire. The British actively exploited this power vacuum. Within 50 years a radical change took place: from trading to colonial rule. The Battle of Plassey (1757), a clear victory for Britain, sealed this development. India became Britain's supplier of raw materials, especially cotton fabric and raw cotton. It was precisely this branch of trade that led into the economic future: in the English Midlands a rapidly growing cotton industry established itself; the mechanised cotton mills were to become one of the leading sections of the Industrial Revolution. For this, too, is a child of the 18th century.

Was Europe the winner of early globalisation?

Around 1500 Europe by no means came first in a worldwide economic comparison. Japan, China and India had very similar initial conditions and possessed much greater wealth. Why was Europe able to outstrip these countries so successfully by the beginning of modern times (around 1800)? There are certainly many answers to this question. One is: Europe had used its nautical skills and its military superiority at sea so that goods and forces flowed to it from other continents and competition was eliminated. This more or less involuntary support by the colonies gradually set Europe's economy apart from the more conservative advanced civilisations in Asia.

In the 18th century Britain took over the lead in the development. Here trading wealth was combined with a modern state in a powerful position to protect its economic interests. A unique combination of domestic prerequisites and worldwide networking finally made possible what was to change the world, the Industrial Revolution.

A world that was already "globalised" at that time? Everyone can answer that for himself. As long as the term "globalisation" is used so diversely, as is nowadays common, every possible answer will be right. It is more important always to realise the simple fact: the world has always been global (what else?), always networked. However, only very few people are aware of this. These very few certainly include the merchants trading over long distances who since earliest times had been creating the network of reciprocal relations that spans the world today.

But even the long duration of worldwide connections cannot cover up the fact that 200 to 300 years ago a new quality was achieved: not until the 18th century did worldwide trade relations change the lives of a large group of people in Europe, too. A revolution maybe – but a revolution with quiet symbols: the cup of tea, the sugar bowl and the cotton shawl – they mark the beginnings of present-day globalisation.