

Economic Developments

Period 1: 1450-1648

- Renaissance and New Monarchs
 - New monarchs often established monopolies on tax collection.
 - Commercial groups gained more power and a greater role in political affairs during this time. Think of the gentry in England or the Medici in Florence.
- Reformation
 - Some Protestant groups during the Reformation sanctioned the notion that wealth accumulation was a sign of God's favor and a reward for hard work. The biggest example of this were the Calvinists.
 - Some states exploited religious conflicts to promote political and economic interests.
- Exploration (ECONOMIC FEATURES ONLY)
 - European nations were driven by commercial and religious motives to explore overseas territories and establish colonies.
 - Europeans sought direct access to gold, spices, and luxury goods as a means to enhance personal wealth and state power.
 - The rise of mercantilism gave the state a new role in promoting commercial development and the acquisition of colonies overseas.
 - Figures like Jean Baptiste Colbert, the finance minister of France under Louis XIV, advocated for this.
 - Europeans established overseas empires and trade networks through coercion and negotiation (you should know the various colonial powers).
 - Europe's colonial expansion led to a global exchange of goods, flora, fauna, cultural practices, and diseases, resulting in the destruction of some indigenous civilizations, a shift toward European dominance, and the expansion of the slave trade.
 - The exchange of goods shifted the center of economic power in Europe from the Mediterranean to the Atlantic states and brought the latter into an expanding world economy.
 - Cities like London, Amsterdam, and Antwerp grew more powerful.
 - The Columbian Exchange created economic opportunities for Europeans.
 - Europeans expanded the African slave trade in response to the establishment of a plantation economy in the Americas and demographic catastrophes among indigenous peoples.

- Big Picture Economic Developments during this Period:
 - Economic change produced new social patterns, while traditions of hierarchy and status continued
 - Innovations in banking and finance promoted the growth of urban financial centers and a money economy.
 - Innovations included things like the Bank of Amsterdam and British East India Company.
 - The growth of commerce produced a new economic elite, which related to traditional land-holding elites in different ways in Europe's various geographic regions.
 - Middle class, gentry, nobles of the robe, etc.
 - Economic changes began to alter rural production and power.
 - Subsistence agriculture remained the rule in most areas.
 - The price revolution contributed to the accumulation of capital and the expansion of the market economy through the commercialization of agriculture, which benefited large landowners in western Europe.
 - As western Europe moved toward a free peasantry and commercial agriculture, serfdom was codified in the east, where nobles continued to dominate economic life on large estates.
 - The attempts of landlords to increase their revenues by restricting or abolishing the traditional rights of peasants led to revolts.
 - Population shifts and growing commerce caused the expansion of cities, which often placed stress on their traditional political and social structures.
 - Population recovered to its pre-Great Plague level in the 16th century, and continuing population pressures contributed to uneven price increases; agricultural commodities increased more sharply than wages, reducing living standards for some.
 - Migrants to the cities challenged the ability of merchant elites and craft guilds to govern, and strained resources.

- The family remained the primary social and economic institution of early modern Europe and took several forms, including the nuclear family.
 - Rural and urban households worked as units.
 - From the late 16th century forward, Europeans responded to economic and environmental challenges, such as the Little Ice Age, by delaying marriage and childbearing. This limited population growth and ultimately improved the economic condition of families.
- Growth of commerce produced a new economic elite in many areas
 - Gentry in England
 - Nobles of the robe in France
- Hierarchy and status continued to define social power in urban and rural settings
- Most Europeans derived their livelihood from agriculture and oriented their lives around the seasons, the village, or the manor, although economic changes began to alter rural production and power
 - Subsistence agriculture was the rule in most areas, with three-crop field rotation in the north and two-crop rotation in the Mediterranean; in many cases, farmers paid rent and labor services for their land
 - The price revolution benefitted large landowners in western Europe
 - Serfdom was strengthened in eastern Europe
 - Landlords attempted to increase their revenues, which led to peasants revolting in some cases
- Population shifts and growing commerce caused the expansion of cities, which often had stresses placed on their political and social institutions
 - Population recovered to its pre-Plague level in the 16th century
 - Population pressures contributed to uneven price increases
 - Agricultural commodities increased more sharply than wages, which reduced living standards for some
 - Migrants in cities challenged elites and strained resources
 - Sanitation problems
 - Poverty issues
 - Crime rates went up
 - City governments often attempted to regulate public morals
 - Think of Calvin's Geneva here

- Family remained the primary social and economic institution of early modern Europe and took several forms, including the nuclear family
 - Rural and urban households often worked as units
 - Men and women engaged in separate, but complementary tasks
 - The Renaissance and Reformation raised debates about female roles in the family, society, and the Church
 - Renaissance figures debated women's right to an education
 - Reformation figures debated women as preachers
 - Europeans often responded to economic challenges and environmental challenges like the Little Ice Age by delaying marriage and childbearing, which restrained population growth and ultimately improved the economic condition of families

Period 2: 1648-1815

- Absolutism and Constitutionalism
 - Most absolute monarchs practice mercantilism. Think of Louis XIV and Jean Baptiste Colbert.
 - The English Civil War was in part a struggle by the gentry to increase their political rights to match their economic power.
 - The Dutch Republic developed an oligarchy of urban gentry and rural landholders to promote trade and protect traditional rights.
- Enlightenment
 - Mercantilist theory and practice were challenged by new economic ideas, such as Adam Smith's, which advocated for free trade and a free market.
 - Francois Quesnay and the physiocrats were also good examples of this.
- French Revolution
 - The French Revolution had fiscal and economic crises as a short-term cause for the revolution.
 - The Reign of Terror and Jacobins fixed prices and wages.
 - Napoleon implemented the continental system to boycott British goods.
 - The Napoleonic Code protected private property.
- Art Movements
 - Eighteenth century art and literature increasingly reflected the outlook and values of commercial and bourgeois society. Think of the Dutch Golden Age of art with figures such as Rembrandt.

- Big Picture Economic Developments
 - Early modern Europe developed a market economy that provided the foundation for its global role.
 - Labor and trade in goods were increasingly freed from traditional restrictions by governments and corporate elites.
 - The Agricultural Revolution raised productivity and increased the supply of food and other agricultural products.
 - The putting-out system, or cottage industry, expanded as increasing numbers of laborers in homes or workshops produced for markets through merchant intermediaries or workshop owners.
 - The development of a market economy led to new financial practices and institutions.
 - Insurance companies, banking institutions, etc.
 - The European dominated worldwide economic network contributed to the agricultural, industrial, and consumer revolutions in Europe.
 - European states still mostly followed mercantilist policies by drawing resources from colonies in the New World and elsewhere.
 - The transatlantic slave-labor system expanded in the 17th and 18th centuries as demand for New World products increased.
 - Overseas products and influences contributed to the development of a consumer culture in Europe. Items like sugar, tea, tobacco, rum, and coffee were big products.
 - The importation and transplantation of agricultural products from the Americas contributed to an increase in the food supply in Europe.
 - Foreign lands provided new materials, finished goods, laborers, and markets for the commercial and industrial enterprises in Europe.
 - Commercial rivalries influenced diplomacy and warfare among European states in the early modern era.
 - The consumer revolution of the 18th century was shaped by a new concern for privacy, encouraged the purchase of new goods for homes, and created new venues for leisure activities.
 - New consumer goods for homes included things like cotton and porcelain dishes.
 - Coffeehouses and taverns became more popular as well.
 - Family and private life reflected the effects of the commercial revolution.

- As commercial wealth increased, families dedicated more space and resources to children and child-rearing, as well as private life and comfort.
- Cities offered economic opportunities, which attracted increasing migration from rural areas, transforming urban life and creating challenges for the new urbanites and their families.
 - The Agricultural Revolution produced more food using fewer workers; as a result, people migrated from rural areas to the cities in search of work.
 - The growth of cities eroded traditional communal values, and city governments strained to provide protection and a healthy environment.
 - The concentration of the poor in cities led to a greater awareness of poverty, crime, and prostitution as social problems and prompted increased efforts to police marginal groups.

Period 3: 1815-1914

- Industrial Revolution
 - Great Britain established its industrial dominance through the mechanization of textile production, iron and steel production, and new transportation systems in conjunction with uniquely favorable political and social climates.
 - Britain's ready supplies of coal, iron ore, and other essential raw materials promoted industrial growth.
 - Economic institutions and human capital such as engineers, inventors, and capitalists helped Britain lead the process of industrialization, largely through private initiative.
 - Britain's parliamentary government promoted commercial and industrial interests because those interests were represented in Parliament.
 - Following the British example, industrialization took root in continental Europe, sometimes with state sponsorship.
 - France moved toward industrialization at a more gradual pace than Great Britain, with government support and less dislocation of traditional methods of production.
 - Industrialization in Prussia allowed that state to become the leader of a unified Germany, which subsequently underwent rapid industrialization under government sponsorship. Think of the Zollverein.
 - A combination of factors, including geography, lack of resources, the dominance of traditional landed elites, the persistence of serfdom in some areas, and inadequate government sponsorship accounted for eastern and southern Europe's lag in industrial development.
 - During the Second Industrial Revolution, more areas of Europe experienced industrial activity, and industrial processes increased in scale and complexity.
 - Mechanization and the factory system became the predominant modes of production by 1914.
 - New technologies and means of communication and transportation—including railroads—resulted in more fully integrated national economies, a higher level of urbanization, and a truly global economic network.
 - Think of new technologies like the Bessemer process or electricity.
 - Think of new communication and transportation developments, such as the telegraph, steamships, telephones, or the radio.

- Volatile business cycles in the last quarter of the 19th century led corporations and governments to try to manage the market through a variety of methods, including monopolies, banking practices, and tariffs.
- Industrialization led to new class developments:
 - Industrialization promoted the development of new classes, such as the bourgeoisie and proletariat.
 - In some of the less organized areas of Europe, the dominance of agricultural elites continued.
 - Economic motivations for marriage, while still important for all classes, diminished as the middle-class notion of companionate marriage (marriage based on love) began to be adopted by the working classes.
- A heightened consumerism developed as a result of the second industrial revolution.
 - Industrialization and mass marketing increased both the production and demand for a new range of consumer goods, including clothing, processed foods, and labor saving devices. It also created more leisure opportunities.
 - Think of catalogs and department stores.
 - New efficient methods of transportation and other innovations created new industries, improved the distribution of goods, increased consumerism, and enhanced the quality of life.
 - Think of the steamships and railroads for new methods of transportation and the chemical industry and electricity for the new industries.
- Governments responded to problems created or exacerbated by industrialization.
 - Liberalism shifted from laissez-faire to interventionist economic and social policies in response to the challenges of industrialization.
 - Reforms transformed overcrowded and unhealthy cities.
 - Reformers promoted compulsory education to advance the goals of public order, nationalism, and economic growth.
- Political movements and social organizations responded to problems of industrialization.
 - Mass-based political parties emerged as sophisticated vehicles for social, economic, and political reform.
 - Workers established labor unions and movements promoting social and economic reforms that also developed into political parties, like the British Labour Party.

- Imperialism
 - European nations were driven by economic, political, and cultural motivations.
 - The search for raw materials and markets for manufactured goods, as well as strategic and nationalistic considerations, drove Europeans to colonize Africa and Asia, even as European colonies in the Americas broke free politically, if not economically.

Period 4: 1914 to Present

- WWI
- Russian Revolution and Stalin
 - In order to improve economic performance, Lenin compromised communist principles and employed some free-market principles under the New Economic Policy. After Lenin's death, Stalin undertook a centralized program of rapid economic modernization, often with the severe repercussions for the population, such as the Five Year Plans.
 - Stalin's economic modernization of the Soviet Union came at a high price, including the liquidation of the kulaks and other perceived enemies of the state, devastating famine in the Ukraine, purges of political rivals, and, ultimately, the creation of an oppressive political system.
- Interwar Period
 - Mussolini and Hitler rose to power exploiting postwar bitterness and economic instability.
 - The Great Depression, caused by weaknesses in international trade and monetary theories and practices, undermined Western European democracies and fomented radical political responses.
 - WWI debt, nationalistic tariff policies, overproduction, depreciated currencies, disrupted trade patterns, and speculation created weaknesses in economies worldwide.
 - Dependence on post-WWI American investment capital led to financial collapse when, following the 1929 stock market crash, the United States cut off capital flows to Europe.
 - Despite attempts to rethink economic theories and policies and forge political alliances, Western democracies failed to overcome the Great Depression and were weakened by extremist movements.
 - New policies like the Popular Front in France.
- Cold War
 - The United States exerted a strong economic influence in Western Europe, leading to the creation of world monetary and trade systems and geopolitical alliances such as NATO. The have economic institutions like the IMF and World Bank that formed.
 - Countries east of the Iron Curtain came under the military, political, and economic domination of the Soviet Union with the Council for Mutual Economic Assistance (COMECON) and the Warsaw Pact.

- Eastern European nations were bound by their relationships with the Soviet Union, which oscillated between repression and limited reform, until the collapse of communist governments in Eastern Europe and the fall of the Soviet Union.
 - Central and Eastern European nations within the Soviet bloc followed an economic model based on central planning, extensive social welfare, and specialized production among bloc members. This brought with it the restriction of individual rights and freedoms, suppression of dissent, and constraint of emigration for the various populations within the Soviet bloc.
 - After 1956, Soviet leader Nikita Khrushchev's de-Stalinization policies failed to meet their economic goals within the Soviet Union. This helped prompt revolts in Eastern Europe.
 - Following a long period of economic stagnation, Mikhail Gorbachev's internal reforms of *perestroika* and *glasnost*, designed to make the Soviet Union more flexible, failed to stave off collapse of the Soviet Union.
- The collapse of the USSR in 1991 led to the establishment of capitalist economies throughout Eastern Europe. The European Union was enlarged.
- Post-WWII Western Democracies
 - Postwar economic growth supported an increase in welfare benefits; however, subsequent economic stagnation led to criticism and limitation of the welfare state.
 - Marshall Plan funds from the United States financed an extensive reconstruction of industry and infrastructure and stimulated an extended period of growth in Western and Central Europe, often referred to as an "economic miracle". This increased the economic and cultural importance of consumerism.
 - The expansion of cradle-to-grave social welfare programs in the aftermath of WWII, accompanied by high taxes, became a contentious domestic political issue as the budgets of European nations came under pressure in the late 20th century.
 - Mass production, new food technologies, and industrial efficiency increased disposable income and created a consumer culture in which greater domestic comforts such as electricity, indoor plumbing, plastics, and synthetic fibers became more available.
 - Because of the economic growth of the 1950s and 1960s, migrant workers from southern Europe, Asia, and Africa immigrated to Western and Central Europe. However, after the economic downturn of the 1970s, these workers and their families often became targets of anti-immigrant agitation and extreme nationalist political parties.

- Post-Cold War
 - New communication and transportation technologies multiplied the connections across space and time, transforming daily life and contributing to the proliferation of ideas and to globalization.
 - Think of things like smart phones and the internet.
- European Union
 - European states began to set aside nationalist rivalries in favor of economic and political integration, forming a series of transnational unions that grew in size and scope over the second half of the 20th century.
 - As the economic alliance known as the European Coal and Steel Community, envisioned as a means to spur postwar economic recovery, developed into the European Economic Community (EEC or Common Market) and the European Union (EU), Europe experienced increasing economic and political integration and efforts to establish a shared European identity.
 - EU member nations continue to balance questions of national sovereignty with the responsibilities of membership in an economic and political union.

Important Economic Dates

- Commercial Revolution (1500-1700)
- **Antwerp=financial center of Europe (1500s)**
- Golden Age of Spain (1550-1650)
 - Had large colonies overseas
 - Large silver and gold trade
 - Know reasons for decline
- Golden Age of the Netherlands (1600-1650)
 - **Amsterdam was the financial center of Europe in the 17th century**
 - Know reason for decline
- Exploration Period (1500s-1700s)
 - Mercantilism was the major economic theory and practice
- Development of capitalism (1700s)
 - Adam Smith: *Wealth of Nations* (1776)
- Cottage Industry and Enclosure (late 1600s through 1700s)
- Agricultural Revolution (1700s)
- First Industrial Revolution (1750-1850)
 - Britain dominates
- Second Industrial Revolution (1850-1900)
 - Germany dominates toward end
- Rise of economic liberalism (1800s)
- Socialism (1800s)
- Welfare state began to emerge (late 1800s)
 - Germany was the first welfare state
- Hyperinflation in Weimar Republic (1920s)
- Stalin's Five Year Plans and collectivization of agriculture (1930s)
- Economic miracle in Western Europe (immediately after WWII; c. 1945-1960)
- European Union formation (1990s, but had been building since WWII)