Economy And Trade: Renaissance Europe

Renaissance: An Encyclopedia for Students

Economy and Trade

During the Renaissance, the European economy grew dramatically, particularly in the area of trade. Developments such as population growth, improvements in banking, expanding trade routes, and new manufacturing systems led to an overall increase in commercial activity. Feudalism*, which had been widespread in the Middle Ages, gradually disappeared, and early forms of capitalism* emerged. The changes affected many aspects of European society, forcing people to adapt to different kinds of work and new ways of doing business with others.

Agriculture. Medieval Europe was overwhelmingly rural, and its economy depended almost entirely on agriculture. Towns and cities did not become significant centers of production until the late Middle Ages, but after that time their economic importance increased rapidly.

During the Middle Ages most peasants were serfs, individuals tied by law to the land they worked. By the late 1400s, however, serfdom was declining throughout Europe and peasants were freer to move about and to rent farms for themselves. At about this time peasants in many parts of Europe faced a shortage of open land. Most of the best fields were already being farmed. Moreover, high prices for wool encouraged nobles to enclose pastures for herding sheep, denying the peasants access to the land. As a result, thousands of peasants moved to urban areas looking for jobs, and cities and towns swelled in size.

As populations grew, the demand for food rose. Meanwhile, the new freedom of peasants meant that landowners had to pay more for their labor. These developments made goods more expensive and produced inflation—a general increase in prices—across Europe. The combination of rising prices and a growth in the number of people needing goods and services encouraged merchants to expand their businesses.

The European Economy. Renaissance Europe had a very diverse economy, in which many different goods were produced by various regions. Over time, some parts of the continent grew economically, while others declined.

In the 1300s and 1400s Italy dominated European trade and manufacturing. Merchants in Florence, Milan, and Venice developed large business organizations to carry on their activities across Europe. They manufactured, sold, or traded a wide variety of products. They also provided banking services for governments and other merchants in many areas of Europe.

Some cities specialized in particular areas of trade and manufacturing. Florence was known for the production of woolen cloth and silk. Milan produced metal goods, such as armor. Venice dominated Mediterranean trade. Venetian merchants bought spices and other goods from Arab and Ottoman* traders in eastern Mediterranean ports and shipped the goods to buyers in Italy and northern Europe.

In the early 1500s mining became an important economic activity in southern Germany. The silver, copper, tin, and iron produced by the mines were used to make various metal items, including silver coins. Funding from merchants and bankers in the cities of Nürnberg and Augsburg helped mine operators introduce new techniques and increase productivity. However, after 1550 the flow of silver from Spanish mines in the New World made silver mining in Germany unprofitable.

Overseas exploration contributed to the rapid development of Spanish and Portuguese trade in the 1500s. Spain brought silver from the Americas, and Portugal imported slaves, sugar, and other goods from Africa. The Portuguese also began to trade with Asia, breaking the Venetian monopoly* on goods such as spices, which were highly prized in Europe. However, Spain and Portugal did not profit as much as they should have from their overseas trade. They both borrowed heavily from banks in Italy and Germany to finance their voyages. Moreover, the two countries shipped much of the silver, spices, and other overseas goods to northern Europe. Merchants in northern ports such as Antwerp profited as much as—or more than—the Spanish and Portuguese from the overseas trade.

After the 1550s the center of Europe's manufacturing, trade, and banking moved from Italy and the Mediterranean to northern Europe, especially the Netherlands and England. Amsterdam and London became major centers of commerce, in part because of the increased importance of transatlantic trade routes. Italy remained a leader in the production of luxury goods such as works of art and fine silk cloth, but the balance had shifted.

Manufacturing. A number of changes in the organization of manufacturing and trade occurred during the Renaissance, especially in the 1500s. Major guilds*, such as those for the production of woolen cloth, changed character. Owners and investors dominated the guilds, making all the decisions. Investors had considerable political power, which they used to advance their interests, sometimes at the expense of the workers. Moreover, some laborers, such as many wool workers, were not even members of the guild, but they depended on the owners for their jobs.

During the Renaissance the European economy experienced a mix of crises and opportunities. Nevertheless, people showed remarkable skill in adapting to change. If one promising trade route failed, merchants developed others. If one industry declined, another took its place. When Venice lost its leading role in the Asian spice trade, it became a center for printing. In 1500 Venice printed more books than any other city. Yet, in the 1570s, printing declined in Venice, and Paris became the printing capital of Europe, continuing the process of growth and change in the Renaissance economy. Banking. Much of the increase in commercial activity during the Renaissance occurred in the area of international trade. This led the banking industry to expand to provide financial services that made it easier for merchants to conduct business far from home. In the Middle Ages merchants had developed long-distance trade routes to bring their customers exotic goods from faraway lands. During the Renaissance merchants made use of their knowledge of international markets and trade goods to expand their operations. Some of these merchants became important bankers. They began making loans, transferring funds to different locations, and exchanging various forms of money. As the need for financial services increased, banks emerged as important institutions. Two of Europe's most prominent banks were run by the Medici of Florence and the Fugger family of Augsburg in Germany.

Banks lent entrepreneurs the money to buy materials and equipment, to hire workers, and to pay for transporting goods. Without these funds, few people would have been able to develop large-scale trading enterprises. Banks also simplified the handling of money by introducing bills of exchange, notes that allowed merchants to borrow or deposit money in one city, then repay or withdraw money in another city. Merchants could then transfer money over long distances without the risk and inconvenience of carrying coins.

Trade Routes and Trading Centers. Political developments and overseas exploration had a profound effect on European trade. At the beginning of the Renaissance, the Mediterranean Sea was the main arena of international trade. Venice dominated commerce in the region because of its powerful merchant fleet and strategic location. The Venetians controlled the flow of luxury goods and spices between Asia and Europe. In the early 1400s the Ottoman Empire expanded westward, and Venice lost vital bases in the eastern Mediterranean. Then in the late 1400s the Portuguese discovered a sea route to Asia by sailing around Africa. This broke the Italians' monopoly over the profitable spice trade. Spain, France, England, and the Netherlands soon followed Portugal in opening up overseas markets in Asia. In the 1500s, merchants began to develop trade routes across the Atlantic Ocean to supply colonies being settled in the Americas. This contributed to the decline of Venice, Genoa, and other Mediterranean ports.

During the Middle Ages, much trading in Europe had taken place at regional fairs, such as those held in the Netherlands and the Champagne region of France. By the Renaissance many of the fairs had disappeared and some of those that survived had begun to specialize in particular goods or services. For example, the fair in Lyon, France, concentrated on international money exchange. Meanwhile, many Renaissance cities became centers of trade and banking, reducing the need for fairs as a place to buy and sell goods. In the Netherlands, local fairs declined when Antwerp emerged as a commercial hub.

Trade Goods. A wide variety of goods were traded in Europe, with each country known for certain products. Although Italy suffered a general decline in trade after 1500, it was still the main source for fine arts and crafts such as painting, woodcarving, sculpture, silver and gold objects, glasswork, and silk. The Spanish prospered during the 1400s from trade in crafts such as leather processing and metalworking. Spain also produced olive oil, wine, fruit, and grain. However, Spanish agriculture, which depended on the labor of the Moors*, suffered heavily when the Moors were expelled from the country in 1492.

England exported raw wool and competed with the Netherlands in the market for woolen cloth. France sold grain and linen cloth to England and Spain, and wine and fruit to England, the Netherlands, and Switzerland. The Netherlands, famous for its cloth products, developed an important banking industry during the late 1500s and 1600s.