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THE WORLD THAT TRADE CREATED

Society, Culture, and
the World Economy,
1400–the Present

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1.3 Funny Money, Real Growth

Endless books have been written about the dangers of governments printing too much money. But for centuries the opposite problem was just as common: governments often couldn't mint enough coins (or the right coins) to meet their subjects' needs. When currency famine struck one of the most dynamic premodern economies—that of Tang (645–907) and Song (960–1127) China—it spawned innovations that ranged from coins made of lead and pottery on the one hand, to the world's first paper money on the other. And, surprisingly, the awkward coins survived longer than the modern-sounding paper money. Therein lurks a surprising lesson: a single convenient currency isn't always what a complex economy needs.

The basic problem was simple: “medieval” China's economy was growing and commercializing too fast for both its political institutions and its metal supply. The Chinese had used copper, bronze, and (more rarely) gold coins for centuries, but the dizzying speed of economic change meant that too many exchanges were happening for the supply of coins. The eleventh-century alone saw a twentyfold increase in the annual output of government

By exchanging gifts with these emissaries, the emperor confirmed his approval of them as rulers, but he also made clear who was the superior and who was the inferior in this relationship. The foreign emissaries, even if they were kings themselves, bowed to him, but not vice versa. Moreover, the nature of the goods exchanged was heavy with symbolic importance. The goods foreigners presented were supposed to be exotic, and valued more for what owning them said about the emperor than for any use value: by including exotic animals in their zoo, for instance, Ming rulers reinforced their claims to universal overlordship. The goods given by the emperor in return were symbols of refinement and civilization: books (especially the Confucian classics), musical instruments, silk, porcelain, paper money (a uniquely Chinese product for several centuries after its creation in the 1100s), and so on. Many were most useful to the rulers of tributary states as gifts that they could give to their followers, creating clients and reinforcing their right to rule by reminding other aristocrats back home that they were the ones with a special pipeline to the court that defined elegance for much of the world.

Clearly, then, the design and basic dynamics of the system came from concerns about culture, politics, and status, not about profit maximization. But at the same time, it defined the ground rules for a vigorous trade. When the Qing rewarded Siam's "civilized behavior" in shipping rice to Canton (rather than a frivolous good such as sugar, much less opium) by expanding tribute trade (which was more profitable for the Siamese than the rice shipments) they were rewarding political loyalty—but they were also keeping South China food prices down.

And when we look closely at the tribute missions themselves, moral order and economic profit prove to be linked in many ways. Not only did merchants accompany the tribute mission, bringing trade goods that they could sell privately while in Beijing; even gifts from the emperor were often quickly recycled. (Indeed, Chinese traders joined some foreigners in complaining that the court did not give the foreigners enough gifts; they knew well that it was a portion of these gifts, quickly off-loaded for cash, that gave foreigners the wherewithal to buy other Chinese goods.) And the tribute exchanges established value for many Chinese goods, making them valued luxuries abroad *because* they were the sorts of things that emperors gave.

This not only applied to things like ivory chopsticks (even in countries where people ate with their hands) but to money itself. When Chinese governments printed too much paper currency (as they often did), the tribute-bearers who were given some had little to gain by swapping it for goods within China; but back home it still had cachet, and so value (even if that value was unrelated to what denomination was printed on it). So, was

mints, plus lots of private coinage—and it still wasn't enough. Lead and iron coins were used locally where those metals were plentiful, despite their inconvenience; and silk, tea, and other luxury commodities were regularly used as "money" for large transactions. Then, to avoid the costs and hazards of transporting commodity "money," both tax collectors and long-distance traders began printing commodity-based notes: thus somebody delivering, say, salt to Hangzhou could receive not silk or copper to take home, but a piece of paper that could be exchanged for silk or copper once he got home. Then the government—concerned about the confusion, fraud, and high transaction costs created by the wide variety of moneys—began issuing more notes of its own, making them exchangeable for *any* commodity, and insisting that merchants use those notes instead of printing others. By 1024—centuries before anything comparable in the West—we find Chinese governments printing recognizable paper money.

Just one more step—issuing standard notes in small denominations to replace most of the varied mass of coins—would have created the kind of currency system we're used to. So why didn't this happen? The problem was that "money" had at least three distinct functions in this period, which often clashed. It was the way of settling accounts for large long-distance transactions: forwarding taxes from the provinces to the capital, provisioning armies, and buying rare luxuries. It was the essential lubricant for the millions of small daily transactions in a society far more market-driven than the Europe of its day. And, as something that the Chinese made more skillfully than others in East and Southeast Asia (who trailed in both printing and minting technology), it was an export good in high demand.

Paper money was ideal for large-scale domestic trade, and made considerable headway against coins of all sorts. High-quality copper (and some gold) coins were good to export, since foreigners could test their reliability more easily than paper, and remint them if they chose. As a result, paper, gold, and copper shared a tendency to disappear from *local* circulation—especially in areas that imported necessities (such as salt) from elsewhere in China, or had trouble meeting their tax bills. Those areas suffered frequent liquidity crises, and adjusted by minting whatever was at hand. In fact, for such areas, very awkward currencies—lead, iron, pottery—were actually ideal; since it would not be very profitable to carry such bulky currencies away, it was better for merchants who sold in these markets to take home commodities. Thus "junk money" not only ensured that there would be some money around to fuel local circuits of exchange in poor areas; it also provided a hidden subsidy to the "exports" those areas needed to balance their "imports." (In areas that exported necessities like salt, "bad" money was not needed, and seems to have been much less common.) So while one

reformer after another sought to curb these local moneys, it was no accident that none ever succeeded—and it would have been disastrous if they had. Instead, sophisticated markets developed in which local currencies could be exchanged for more standard moneys, but only in limited quantities—a solution that balanced the needs of a huge interdependent economy with the “protectionist” needs of poorer localities.

And in the long run, paper money proved more vulnerable than clumsy coins. Since paper was supposed to be trustworthy enough to circulate over huge distances, periodic printing press inflation compromised its usefulness much more than overminting damaged local currencies. And as the currency designed for large, long-distance transactions, paper money became far less useful when political disruptions—particularly the wars that accompanied the collapse of Mongol rule in the mid-1300s—obstructed long-distance trade. Long-distance trade recovered and then reached new heights in the 1500s, but by then a new medium of exchange was available: silver, which came first from Japan, Vietnam, and Burma, and then, in unprecedented amounts, from the New World. For the next 300 years, close to half the world’s silver production found its way into China’s money supply, joining but not replacing other local coins, while becoming the standard for long-distance trade. Meanwhile the rest of the world enjoyed silks, porcelain, and other goodies they could not have purchased had China’s experiment with paper money not proved abortive.

Only after the nineteenth-century opium trade reversed this silver inflow did the Chinese government return to printing paper money. And as poorer areas once again found silver and copper scarce, bronze, iron, and other local coins again proliferated, much to the dismay of foreigners. But what Westerners thought was monetary chaos permitted by a government that had never cared enough about trade to create a reliable currency was really something very different: the return of mechanisms that mediated the many levels of a complex economy in a way that no one currency could do.

1.4 When Asia Was the World Economy

Every schoolchild knows, Columbus was looking for India when he stumbled upon the Americas. But the Portuguese actually reached India by sea in the 1490s. And while they did not overwhelm the societies they encountered as the Spanish did in the New World, they did help to undermine a vast commercial system centered on the Indian Ocean.

This Asia-centered world economy had been taking shape since the rise of Islam in the seventh century. As the first Arab converts conquered much of the Byzantine world (especially Egypt and Syria) to their West and the

Sassanid lands (Iran and Iraq) to their East, they laid down few economic rules; both the converted and unconverted (mostly Jewish or Christian) traders of Cairo, Damascus, Baghdad, and Tashkent continued business as usual. The conquest meant that a single power, the Islamic caliphate, could guarantee safe passage between two worlds—the Mediterranean and the Indian Ocean—separated since the decline of Rome.

As later generations extended the Islamic conquests from Spain to Somalia and Java, the networks of Hindu and other traders were welded to those of the West and Near East. Commerce boomed. At the edges of the empire, merchants dealt with a still larger world. Traders bought Chinese porcelain and silk in Canton and Malaysia. Europeans shipped Indonesian spices via the Red and Mediterranean seas. And from Eastern Europe, Turkey, and sub-Saharan Africa came other crucial imports: gold (principally for coining money), iron, timber, and slaves both white and black.

The limited unity that the caliphate created—particularly in currency—was essential to this burgeoning trade. So was the urban elite's insatiable demand for exotica. But the looseness of Islamic rule was even more important: as long as tribute was paid, local rulers were allowed to do much as they pleased. Most rulers allowed traders of all faiths to move freely from port to port. Wars were frequent, but usually limited to land, while the seas remained open. Merchants who encountered problems in one port simply moved to another. Piracy was common, but manageable. Merchant groups, often organized on ethnic or religious lines, maintained insurance funds to ransom any members captured at sea. Kidnapping became so pervasive a business pursuit that, in the 1200s, a standard ransom rate prevailed throughout the Mediterranean.

Within this cosmopolitan world, businesses spanned vast areas. The letters of one group of Jewish merchants, found centuries later in a Cairo synagogue, reveal a family firm with branches in India, Iran, Tunisia, and Egypt. Moreover, a complex international division of labor developed: the soldiers who resisted the Crusades wore chain mail from the Caucasus and carried steel swords smelted in India from iron mined in present-day Tanzania. Not only luxury goods, but such bulky necessities as flour and firewood, were exchanged across huge distances. The density of exchange also favored the worldwide diffusion of knowledge and products. Rice-growing, which had spread slowly from Eastern Asia to India and parts of Mesopotamia, was now adopted in Egypt, Morocco, and Southern Spain; sorghum spread from Africa to the Mediterranean. Cotton was introduced from India to Iraq as early as the 600s; from there it followed the trade routes to Syria, Cyprus, Sicily, Tunisia, Morocco, Spain, and eventually to the Nile Valley. Islamic trade routes brought paper-making from China to Europe, and Greek medicine back into a Europe that had lost it.

By the time the Portuguese arrived, this system was already in trouble. Revolts by slaves, overtaxed peasants, and the urban poor; invasions; and ecological problems had led to economic contraction and fragmentation. Yet the volume of trade was still enormous, and the basic rules by which it was conducted still held. The Portuguese government was the first to attack the principle—common throughout the region—that the sea belonged to no one, and the first to use force to redirect trade. Within twenty years of sailing into Asian waters, they created forts at two of the three places where major westbound trade routes could be blocked: Malacca, in the straits that connect the Indian and Pacific Oceans, and Hormuz, at the entrance to the Persian Gulf. (They failed to take Aden, at the mouth of the Red Sea, but succeeded in blockading it during the annual sailing season.) They also built numerous coastal forts, mostly in India. They claimed a monopoly in the pepper trade, and the right to board or sink any ship in the hemisphere to which they had not issued a pass, or *cartaz*. The *cartaz* was cheap, but the buyer also had to agree not to trade in certain commodities, and to boycott certain ports.

Portuguese pretensions far exceeded their power. Their settlements were always vulnerable because they were not self-sufficient. Indeed, most survived only because they were obviously too weak to threaten major land powers; thus nearby kingdoms felt free to feed the Portuguese in return for *cartazes* and safety at sea. And though Portuguese ships dealt harshly with those whom they caught violating their monopoly—sinking ships, bombarding ports, and burning crops—they could not truly rule the ocean.

By the middle 1500s, the counterattack began. The sultan of Aceh led an offensive on land and sea, reopening the Red Sea trade routes in the 1540s with the help of Indian merchants, and besieging Malacca (with Turkish help) over and over in the late 1500s. Before long, more powerful Europeans appeared: the Dutch and English. By the early 1600s, the Portuguese empire in Asia was in irreversible decline. But the age of mercantilism, trade wars, and a Europe-centered world economy was just beginning.

1.5 Treating Good News as No News

Imports from Asia to Europe date back to Greek times, if not earlier. The writings of Roman moralists contain diatribes against patricians “wasting” valuable gold and silver to clothe themselves in Chinese silk. And most people today associate East–West trade before 1500 with one name above all: Marco Polo (1254–1324), the Venetian trader who spent twenty-five years in China and other parts of Asia. But to his contemporaries, Polo seemed more a crank than a trailblazer. Undoubtedly Polo, his father, and

his uncle had done something right while in Asia, since they returned with enormous profits; but too many of Polo's stories clashed with European preconceptions for him to be believed.

Polo's *Travels* are today the most famous account of international trade ever written. They have gone through hundreds of printings and have been the basis of movies; a recent list of scholarly studies runs 354 pages. Most of what Polo told his readers about China, Persia, Sumatra, and elsewhere has since been substantiated. (He was less reliable about Japan, Java, and other places, for which he relied on hearsay.) But for a long time his accounts were treated less as a medieval Fodor's than as fantasies.

Polo told his stories to his cellmates after he was captured by Genoa in one phase of its centuries-long war with Venice for commercial and maritime dominance; and it was of these fellow prisoners, a professional writer of romances, who wrote out and published the *Travels*. For a good 200 years thereafter, Polo's *Travels* were usually classified as romances as well. Beginning shortly after Polo's death, carnivals in Venice featured a clown named "Marco of the Millions" (a nickname for Polo himself) who amused the crowd by telling increasingly outrageous stories; "a Marco Polo" became a proverbial English expression for lies. Meanwhile the "travel diaries" of John Mandeville, a fourteenth-century scholar who never left Europe, went through far more editions and were far more widely believed, even well beyond the days of Columbus and Magellan. Though Mandeville carefully borrowed accurate accounts from numerous other travelers (including Polo), he also borrowed much well-worn nonsense: eighty-foot-tall cannibals, giant ants that mined gold for their human master, and so forth.

Why the credibility problem? The question is even more puzzling because earlier Europeans had known much of what Polo's contemporaries would not believe. Though Europe had traded with East Asia for centuries, it had always been done through intermediaries, and political changes had made the European role increasingly marginal. After the collapse of the Eastern Roman Empire and the rise of Arab and Persian power, the amount of silks and spices moving by land across Central Asia had declined; instead, these goods moved by land and sea to Alexandria. From the tenth century on, Venice had obtained a virtual monopoly on the transshipment of spices from Alexandria to Europe, and thus had no interest in seeing other Europeans develop alternatives to Alexandria. (This intimacy with Arab traders made the Venetians something of an exception in the age of the Crusades; when they went so far as to begin their contracts with the Egyptians with "In the name of God and Mohammed," the Pope drew the line. Few Venetians stopped making such contracts, but many "made up for it" on their deathbed by willing their profits to the Church.) It was only with

the consolidation of Mongol power in Central Asia that the northern trade routes reopened, bringing Polo and other Europeans back into Central Asia for the first time, and into direct contact with China for the first time ever.

Thus, many of the physical wonders Polo described—such as the Baku oil fields in present-day Armenia—had been used by the Romans; however, the use of oil for heating had lapsed with the empire, and did not return to the Mediterranean until the 1700s. (Petroleum-based bombs had also been used in war, but had been banned as inhumane in 1139; the ban was largely obeyed until napalm made its appearance in our own century.) But few people knew this in Polo's day, and his accounts of wonders like the black stones that could be burned for heat (coal) struck many as implausible. But the greatest doubts were reserved for his stories of life in China, which had become the heart of the Mongol Empire.

Europeans certainly knew of Mongol military power, since the armies of Genghis Khan had conquered as far as Poland and Hungary before turning back in 1222 (due to a succession crisis at home). European traders and missionaries had encountered dependents of the Great Khan ruling many parts of India, Persia, and Central Asia; and after the slaughter that accompanied the early Mongol conquests, most of Asia lived relatively peacefully under their rule, allowing the Polos and others to revive land-based commerce. But to most Europeans, the fabled Eastern land of wealth and wonders was India; they were simply unprepared for the wealth and sophistication that Polo reported in China. Tales of cities of perhaps 2 million people (Quinsay, or present-day Hangzhou); a canal over 1,000 miles long; and an economy that ran on paper money were simply too much for Polo's fellow Venetians (who had just built their first mint in his absence).

Most confusing of all, though, were probably Polo's claims that public safety and commercial honesty were far better maintained in China than in Europe, without Christianity as a basis for morals. Europeans had long believed that a fabulously rich, quasi-utopia existed in the Far East, founded by an itinerant Christian named Prester John; but a non-Christian kingdom as excellent as Polo's version of China was something else again. (The Prester John story died hard, even after Polo and other European travelers debunked it; before long, common belief had simply moved this utopia to uncharted parts of Africa.)

Some merchants and missionaries did follow Polo to China, drawn to a field where (unlike in India) they faced little Moslem competition. But the opportunities Polo described did not last long. Within a generation of Polo's death, the Mongol Empire was breaking apart into separate warring states, the trade routes across Central Asia became treacherous again, and several of the great cities Polo had seen on his way across Eurasia all but disap-

peared. In China itself, the Ming dynasty re-established order, but on a far less cosmopolitan basis. As outsiders themselves, the Mongols had been perfectly happy to deal with other non-Chinese; Polo himself had served Kublai Khan during his stay in Asia. The Ming saw no need for foreign officials and before long were taking steps to restrict all kinds of foreign contact.

Between European blindness and Asian tumult, Polo's *Travels* seemed destined to remain more a curiosity than a business guide. His fellow Venetians even ignored his notes from a stop he made in Sumatra on the way home; this, he noted, was where the spices that Europeans coveted actually came from, and where they could be bought for a fraction of the prices Venetians paid in Alexandria.

It was left for Venice's rivals to take the hint. The first map to use Polo's information was made in Catalonia; Prince Henry ("The Navigator") of Portugal read the *Travels* avidly; and a copy of the book is preserved today in Seville, with notes made in the margins by a Genoese—Christopher Columbus.

1.6 Aztec Traders

When Europeans finally arrived in the Indian Ocean and the South China Sea, they discovered thriving Arab, Indian, and Chinese trade networks. It would take centuries for the Europeans to break the dominance of these traders in Asia, the Middle East, and Africa. But in the Americas, the Spanish and the Portuguese immediately controlled long-distance commerce. Why did the indigenous peoples of the Americas so quickly and easily cede trade?

The Europeans had theories that explained Indians' failure in commerce. Indians were racially inferior, lazy, and, most of all, uninterested in profit. With a strong sense of communal property and a desire to self-sufficiency, Indians were uninterested in European goods and the broader world. While soothing to European consciences, these explanations had little truth in the historical record.

In fact, pre-Columbian Indians traded extensively. It was no fluke that Columbus early in his first voyage discovered an Indian canoe from an island he had just visited already paddling to a neighboring people with the Spanish goods they had just acquired for trade. Caribbean islanders had frequent commercial intercourse.

But that was very small-scale compared to the commerce of Mesoamerica: turquoise and silver from New Mexico was traded down to Tenochtitlan (present-day Mexico City) in exchange for either bowls,

knives, combs, blankets, and featherwork manufactured there or the wide array of trade goods the Aztecs and their neighbors accumulated: rubber from Veracruz, chocolate from Chiapas, jaguar pelts and honey from the Yucatán, gold from Nicaragua, cacao and obsidian from Honduras or El Salvador, and gold from Costa Rica. A tremendous area the equal to the distance from southern Spain to Finland, separated Mesoamerican traders.

The urge to barter and truck was strong enough to push goods over two thousand miles. This was a feat unparalleled in the world because Mesoamerica had few rivers to tie together its far-flung populations. Most people lived in the high valleys of the center of the continent distant from the coast. Although the island of Cozumel seems to have been a major trading center for the Yucatán, no other coastal entrepôts have been discovered. Trade centers were inland. They were separated by rugged and precipitous ravines and ten- to twelve-thousand-foot-high mountains. To further disrupt travel, unlike everywhere else in the world that was densely populated, Mesoamerica had no large beasts of burden to carry the turquoise, cotton blankets, and cacao. Nor were wheeled vehicles used. Thousands of humans carried the loads on their backs and heads up and down the mountain sides on narrow, treacherous paths.

Yet trade was vigorous enough that the Aztecs, and perhaps the Maya, had their own caste that specialized in commerce. The *pochteca* lived on the island of Tlateloco, next to the aristocratic Tenochtitlan. They had special exemptions, were well respected, and lived well. They supplied a market in Tenochtitlan that stunned the Spanish Conquistadors when they first saw it. Hernán Cortés reported: "The city has many squares where markets are held, and trading is carried on. There is one square, twice as large as that of Salamanca, all surrounded by arcades, where daily more than sixty thousand souls buy and sell, and where are found all the kinds of merchandise produced in these countries." A fellow soldier, Bernal Díaz, enthused: "We were astounded at the great number of people and the quantities of merchandise, and at the orderliness and good arrangements that prevailed, for we had never seen such a thing before."

With such a dazzling array of precious and manufactured goods, intricate and intensive trade routes, and a special merchant caste well acquainted with the trade and able to converse across many language barriers, why did the Aztec commercial class come to a crashing halt with the arrival of the Spanish? Why did they not continue to prosper as in Asia, the Middle East, and Africa?

The answer is twofold. First, although extensive and well developed, Aztec and Mayan commerce was not really commodity commerce. Money and private property were still in the beginning stages of use. Commerce

was an extension of statecraft and merchants were essentially government officials. Trade was largely in tribute goods exacted through force or the threat of force; it was not private property created with the intention of profit. Thus this was a commercial system greatly dependent upon the political empire it served. Without Aztec or Mayan force there would be no tribute goods; and with no tribute there would be no trade.

The astounding destruction brought by the Spanish conquest ended not only Aztec and Mayan political power. It also destroyed the large cities (Tenochtitlan may have had as many as 500,000 inhabitants, ten times the size of the largest city in Spain) and even much of the rural indigenous population. The remaining population was either drafted into working for the Spanish or attempted to close itself off from the Spanish world in tightly guarded local economies. Most of their luxury goods such as featherwork and skins did not interest the Spanish. Those goods that did, such as cacao and gold, were soon produced under the control of Spaniards, who also oversaw their trade.

Within a few short years, a vast thriving commercial emporium had disappeared. Indians were condemned as nonenterprising and marginalized from the economy. Global trade not only created commercial networks, it also destroyed them.

1.9 How the Other Half Traded

Even today, companies often find that keeping up the morale of employees sent overseas is difficult. But consider an earlier multinational: the Dutch East India Company (VOC) of the seventeenth and eighteenth centuries. Its outposts in India, Southeast Asia, Japan, and Taiwan were places where few Dutchwomen were willing to live; and while most men working for the company were quite willing to seek mates among indigenous women, this brought complications of its own. Given the cultural gulf separating these couples, it may be no great surprise that the private letters of these men are full of references to how hard it was to “tame” these women into the kinds of wives they expected. What may be more surprising is how hard the VOC, the Dutch Reformed Church, and other Europeans in Southeast Asia found it to break the *commercial* power of these women, many of whom were substantial traders in their own right.

Long before Europeans arrived, maritime Southeast Asia (including present-day Malaysia, Indonesia, and the Philippines) carried on a substantial long-distance trade. Many of the merchants were women—in some cases because commerce was thought too base an occupation for upper-

nately, in many ways Brazil is Europeanized. Having been a Portuguese colony for over three centuries, it has Portuguese laws and customs. As an export colony, Brazil's economy has long been oriented to foreign markets. But it is also the world's largest slave society with over a million slaves. You don't worry about the moral implications of trading in a slave country, of course. You are a hard-headed businessman after all. But what problems will slave culture present you in turning a profit?

Postcolonial Brazil has no history of banks. Except for the state-run Banco do Brasil, which mostly lends to the government, lending is on a personal basis. Loans are generally short-term at high interest rates and based on slaves' collateral or trust in the planters' honor. Although coffee growers own vast lands, rural real estate cannot serve as collateral because it is poorly demarcated, titles are usually faulty, and planters have so crafted the legal system that foreclosure is almost impossible. Under these circumstances, you are not likely to lend to the grower unless you are personally acquainted with him. Since transportation is so horrible in the interior that it can take weeks to go a few hundred miles, you rarely see planters.

A group of intermediaries springs up to transfer credit and bring coffee to port: they are the *comissários* or factors. Mostly Portuguese, these men borrow from you and other exporters and in turn open up accounts for their planter clients. They sell the coffee that arrives in Rio to sackers who blend and sack it and sell it to you. You must inspect the bags carefully, however, because there is no government oversight or coffee exchange that inspects quality. Indeed, pickers and growers are notorious for stuffing sticks and stones into their coffee shipments. Moreover, there are no standards of quality, no accepted size of lots. Everything has to be double-checked and negotiated.

Information is also scarce. With a government that rarely intrudes into the interior and planters who rarely keep close accounts, information on the size of the crop is poor. Since coffee crops can vary by more than 50 percent from year to year this is a serious shortcoming. With no warehouses of any size, a glut can smash prices and scarcity can drive them way up.

You have some customers in England who issue you ninety-day notes in exchange, which you use to pay your bills and lend to *comissários*. Because of Brazil's long history as a colony and the great expense of importing some 3 million African slaves, little capital is available locally; you must borrow abroad.

This, of course, is in your favor because it is in the international link that your advantage lies. But there are serious problems in selling abroad. Just as supply and price in Rio are unpredictable, so are international prices. There are no coffee exchanges yet in Europe or the United States. Prices are made

class men, but too lucrative for elite families to abstain from completely. (Some elites carried this snobbery a step further, and held that noble women were also too lofty to barter in the marketplace or to visit the Chinese settlements where much long-distance trading was arranged; they were not, however, too noble to supervise a team of servants who carried out these businesses.) Malay proverbs of the 1500s spoke of the importance of teaching daughters how to calculate and make a profit.

More generally, these societies typically allowed women to control their own property, gave them considerable voice in the choice of husbands, and were often quite tolerant of other liaisons. The long journeys away from home that some of these women took even made it necessary to allow them, within the crude limits of available technology, to control their own fertility. (Herbal medicines, jumping from rocks to induce miscarriages, and even occasional infanticides were among the methods used.) Both the Islamic missionaries who swept through the area in the 1400s and the Christians who followed a hundred years later were appalled, and hoped to bring such women to heel.

But despite these qualms, the Portuguese, the first Europeans to establish themselves in this world, had found intermarrying with such women to be an indispensable part of creating profitable and defensible colonies. When the VOC gave up on importing Dutch women—having sometimes found “willing” candidates only in the orphanages or even brothels of Holland, and facing discontent among the intended husbands of these women—it turned to the daughters of these earlier Portuguese-Asian unions: they at least spoke a Western language, and were at least nominally Christian. Many had also learned from their mothers how useful a European husband could be for protecting their business interests in an increasingly multinational and often violent trading world. Councillors of the Dutch court in Batavia (present-day Jakarta), who were rarely rich themselves, but were very well placed to prevent the VOC’s rules and monopoly claims from interfering with their wives’ trade, were often particularly good matches for the richest of these women. Thus, arranging elite interracial marriages proved relatively easy: but making the resulting families conform to visions hatched in Amsterdam proved harder.

The VOC’s principal goal, of course, was profit, and profit was best secured by monopolizing the export of all sorts of Asian goods—from pepper to porcelain—back to Europe. In theory, the Company also claimed—at least intermittently—the right to license and tax (or sink) all the ships participating in the much larger intra-Asian trade, including those of Southeast Asia’s women traders. But the realities of huge oceans and numerous rivals made enforcing such a system impossible, and the VOC

also faced powerful enemies within. Most Company servants soon discovered that while smuggling goods back to Holland was risky and difficult, they could earn sums by trading illegally (or semi-legally) within Asia that dwarfed their official salaries. Here their wives were a perfect vehicle for making a fortune: they were well connected in and knowledgeable about local markets, often possessed of considerable capital, and able to manage the family business continuously without being susceptible to sudden transfer by the Company.

And for some particularly unscrupulous Dutchmen there was the possibility of a kind of lucrative cultural arbitrage: after profiting from the relatively high status of Southeast Asian women, one might take advantage of their low status in Dutch law to gain sole control of the family fortune, and then perhaps even return to the Netherlands to settle down with a “proper” wife. (Though even with the law on the man’s side, such a process could be very complex if the woman used her informal influence cleverly and hid her assets—in one such case the man eventually won control of most of his wife’s profits, but the legal proceedings took nineteen years.)

But if men had powerful allies in the Dutch law and church, women had the climate on their side. Foreigners tended to die young in India and Southeast Asia, leaving behind wealthy widows. Such women were often eagerly sought after by the next wave of incoming European adventurers, enabling them to strike marriage bargains that safeguarded at least some of their independence; many wed and survived three or four husbands. The rare Dutchman who did live a long life in Batavia was likely to rise quite high in the VOC, become very wealthy, and marry more than once himself; but since such men (not needing a particularly well-connected or rich spouse once they’d risen this high) often chose a last wife much younger than themselves, they tended to leave behind a small circle of *very* wealthy widows, whose behavior often scandalized those Dutchmen who took their Calvinism seriously.

From the founding of Batavia in 1619 until the late 1800s, Dutch moralists and monopolists waged an endless battle to “tame” these women, and at least partially succeeded; later generations, for instance, seem to have conformed much more than earlier ones to European sexual mores. And as the scale of capital and international contacts needed to succeed in long-distance trade grew larger, European companies and their Chinese or Indian merchant allies—all of them male—did increasingly shrink the sphere in which these women operated.

Eventually, when late nineteenth-century innovations—the Suez Canal, telegraphs, refrigerated shipping, vaccinations, and so on—made it more and more possible to live a truly European life-style in Southeast Asia, a

new generation of Dutch officials chose to bring wives with them, or to assume they would quickly return to Holland and marry there. Even so, trade managed by Eurasian women remained a crucial part of local and regional economies: many, for instance, managed commercial real estate and money-lending operations through which they funneled profits from their husbands' activities into local development around the fringes of Southeast Asian trading cities. (Ironically, this niche may have been kept for them in part through the racism of many of their husbands, who preferred to deal with the locals as little as possible.)

As late as the turn of this century, this sphere and those who managed it refused to disappear—the Indonesian novelist Pramoedaya Toer has painted a powerful portrait of one such woman, who waged a running battle to hold on to the businesses (and children) she had handled for years against her half-mad Dutch consort and his “legal” family back in Holland. Along with most of her real-life counterparts, this fictional woman was ultimately defeated; but for three centuries, women like her had built and sustained much of the world their husbands claimed was theirs.

1.11 Traveling Salesmen, Traveling Taxmen

We usually think of our own era as particularly cosmopolitan, especially in economics; the globalization of finance, production, and consumer tastes and the shrinking importance of national boundaries are clichés of our time. But for certain entrepreneurs, an earlier time and place—the Middle East, South Asia, and Southeast Asia, from about 1500 to 1750—offered a much closer approximation of a borderless world than anything being contemplated today. And for many of these itinerant traders, it was their intense involvement in the politics of their host countries—not the creation of markets that ignored nations—that yielded the greatest rewards.

These entrepreneurs—mostly Persian and Chinese—fanned out across the Indian Ocean world, establishing bases from present-day Mozambique to Indonesia, and most places in between. They traded in virtually every commodity available, from textiles and grain to gold and diamonds. But what gave them their entry into kingdom after kingdom was their skill at providing a different kind of service, which today is usually reserved for a country's own nationals: collecting public revenue. They were tax farmers who, in return for a free hand for themselves and their employees, would contract with rulers to provide a set amount of revenue by taxing an agreed-upon set of commodities over a given space.

From 1500 on, virtually every state bordering the Indian Ocean auctioned off the right to collect at least some of its taxes; Chinese entrepreneurs won many of the auctions in Southeast Asia, while Persians won a few contracts there and most of the auctions elsewhere. Once established as

tax farmers, and granted important rights that went with those posts—the right, for instance, to inspect every cargo that went in and out of a port where they collected the customs—they gained a valuable advantage for their efforts as more conventional shippers, wholesalers, financiers, and arbitragers. And once they were locked into commitments to deliver large amounts of revenue, or had already advanced money to cash-hungry rulers, they often found themselves assuming other roles that modern states rarely give to foreigners—as generals and admirals, for instance, raising armies to protect “their” country’s claims on a particular territory or trade. When Europeans arrived on the Indian Ocean scene, they, too, usually found these political merchants to be indispensable intermediaries and trading partners.

Consider, for instance, Muhammed Sayyid Ardestani. Born in Persia in 1591, he turned up in the Indian sultanate of Golconda in the 1620s, making a fortune as a horse trader. To modern ears, “horse trading” may suggest small-scale peddling in wide open markets, but it was something very different in seventeenth-century South Asia. From the 1400s on, the scale of warfare on the Indian subcontinent increased dramatically as the Mughal Empire (itself of Persian origin) sought to conquer as much as possible of present-day India, Pakistan, Bangladesh, and Afghanistan, while other states (and leagues of states) sought control over areas big enough to be viable bases for resistance. Horses were one of the two crucial sinews of power that no Indian state could produce for itself—adequate war mounts had to come from Arabia, Persia, or Central Asia, at enormous cost. (The other major military import was a new type of cannon, available after 1500 from European traders.) In fact, horses were probably the single biggest import into India (unless we count silver, much of which was re-exported to get more horses)—and since India was probably the world’s largest exporter from 1500 to 1700, the horse trade was a crucial link in world trade. Because horses had such strategic importance, virtually every state intervened heavily in the horse trade, often making it a state monopoly. Thus a would-be large-scale horse trader was likely to have two choices: accept appointment as an official of one of the importing states, and play the game of court politics, or find another line of work.

Having established himself at court (where Golconda’s Muslim rulers preferred Persian Muslims to indigenous Hindu traders), Ardestani soon wangled another enormously lucrative concession: running one of Golconda’s fabled diamond mines. Thus enriched, he was prepared to help the sultan procure the most basic military necessity: money.

With armies growing larger and their equipment fancier, the cost of war was soaring. Thus, rulers needed to extract more revenue from both trade and agriculture. While some kings tried trading on their own account, most

found it more efficient to license existing traders and sell to one of them the position of collector of license fees and customs; such a person was in the best position to figure what the traffic would bear. Once appointed, he could easily benefit his own interests: by monopolizing information, detaining competing cargoes while he sold his, or even by accusing a competitor of "smuggling."

Sometime in the 1630s Ardestani became governor and tax farmer for the province that included Masulipatnam, then the biggest port on India's Eastern coast. Here both Asians and Europeans came to buy the textiles that unlocked the other riches of the globe: they were exchanged for spices in Southeast Asia, gold in East Africa, slaves in West Africa, tobacco and sugar in the New World, and silver in Europe. As the port's principal tax collector, Ardestani soon developed ties to the British, Dutch, and Portuguese, despite their often violent quarrels with each other. The Dutch East India Co., eager to retain Ardestani's favor, gave his ships safe conduct passes for the seas they patrolled, even while denying them to most other others. With this help, Ardestani's personal trading empire soon extended east to Burma and Indonesia. This one-man conglomerate gained still greater synergy through the interaction of these international interests with his state-licensed involvement in Golconda's village economy.

Foreign traders at Indian Ocean ports had a problem. Though monsoon shifts determined when they could arrive and when they had to leave, orders had to be placed several months in advance for the intricate woven goods they so prized. The companies were hard-pressed to finance these substantial advances, and would have been devastated if weavers or middlemen had absconded with them. Here a local partner like Ardestani had an enormous edge: not only was he cash-rich, but he had successfully bid for the right to collect the land and other taxes from a number of weaving villages, too. Golconda got more revenue by letting Ardestani collect than it could have by relying on elites within the village (who had closer ties to fellow villagers, and fewer to the court); and Ardestani, even if he promised the court enough revenue so that he couldn't squeeze out much extra for himself, gained a vital hold over the peasants, weavers, and local brokers whose tax obligations he effectively bought from the court. He could thus lock up much of the best cloth for himself and his preferred clients; both the British and Dutch learned to their cost how hard it was to bypass such middlemen and deal directly with producers.

For years, Ardestani went from triumph to triumph. In the 1640s he served as a general in one of Golconda's many campaigns to capture more of coastal India; he bought up more and more tax farms; and he amassed a personal bodyguard of over 5,000, complete with European-made artillery.

Eventually, he fell in what was probably the only way he could have fallen. After losing a factional quarrel at court, Ardestani was arrested by a new sultan who feared he had become too powerful. But even that defeat was temporary; using some of his immense wealth to buy his release, Ardestani soon defected to the Mughal court, where he was given an aristocratic title and resumed his old activities on new terrain. Such a switch was not unusual. Many tax-farming merchants served several courts during their careers: arresting one and then letting him buy his release was often just a way of squeezing one last bit of cash from a laid-off political appointee. And it would not do to treat such people too harshly, even when dismissing them. Most of these successful itinerants had relatives who performed the same functions elsewhere, and nobody needed to make enemies who were powerful at the courts of other states; besides, many of the records that the new tax farmer would need were in the old farmer's private hands. (In fact, the transfer of accounting methods from business to the tax rolls was one of the most important long-term legacies of merchant tax-farming to statecraft all around the Indian Ocean littoral.) Indeed, foreign tax farmers were such an essential part of South Asian commerce and politics that it was a long time before anyone tried to do without them. Thus, when the English East India Company conquered Bengal in 1757, it did not try to install a new sovereign; instead the Company forced the existing ruler to appoint it—a new, corporate type of merchant—to the time-honored post of chief tax farmer.