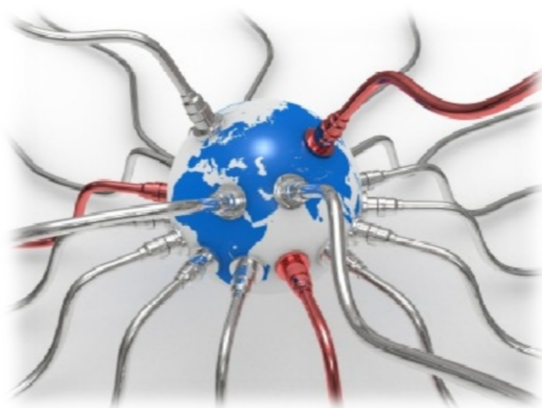
Economics from the Ground Up

A brief history of globalisation'

Early history of economic integration: the Silk Road

Economic interaction between distant groups of people, including trade, has always been a feature of human history. For example, many of the foods and materials we take for granted as part of our lives were once highly exotic, originally moved around the world as a result of trade. People's desire to acquire natural resources that were not indigenous to their region was often the motivation for developing networks for trade. One of the oldest and longest trading routes in history was the Silk Road, which stretched between the Roman Empire in the west and China in the east, and operated from the first millennium B.C. through to the middle of the second millennium C.E. It promoted a sharing of not only commodities, but also ideas, art and culture. This was a fascinating period of human history, and many things we now take for granted was introduced to western culture as the result of that period including silk, paper and gunpowder from China. There is evidence that prior to any European contact, indigenous Australians in northern Australia traded with peoples from nearby regions to the north.



Colonialism and mercantilism (1500s to late 19th century)

The colonisation of large parts of the world by the European great powers, namely Spain, England, Holland, Portugal, Germany and France, led to the development of a **mercantilist** model of economic integration. The rise of "mercantilism" saw European imperial, colonial nations like Britain, France, Germany, Spain and the Netherlands colonise areas of the globe – Africa, Asia, Oceania, North and South America. They extracted natural resources from those places, including wool, sugar, spices, tea, cotton and rubber, and then returned the commodities to the colonial power. The important thing was that these resources were not available in the colonial powers since commodities like sugar, cotton and tea could not be grown in Europe. In the European country, the commodities were converted into more sophisticated manufactures, using the labour and machinery of the thriving industrial economies in the European countries, and these were then consumed in the European nations and also exported back to the colonies, at much higher prices. This process was called "value-adding" and we see it at work in many countries still today, where cheap raw materials are imported and converted into more valuable, value-added manufactures such as clothing, footwear, steel or whitegoods. For example, during the mercantile period, the United Kingdom imported raw materials such as cotton from India at very low cost. They then processed this in factories, and exported the finished textiles back to India and other locations at much higher prices, generating enormous profits.

It is important to note that in some instances, this process was also supported by slave labour, as in the sugar plantations of the Caribbean, and the tobacco plantations of the Americas. The Europeans tried to