

“Cycles of Silver:
Global Economic Unity through the mid-18th Century”

Dennis O. Flynn and Arturo Giráldez

ABSTRACT

Conversion of China’s monetary and fiscal systems to a silver standard led to a doubling of the value of silver in China vis-à-vis the rest of the world by the early 16th century. Heightened profit opportunities induced an unprecedented surge in silver production in Spanish America (especially Potosí in Upper Peru) and in Japan. Destined ultimately for China, tens of thousands of tons of silver passed through Europe via all long-distance maritime and overland trade routes. Fifty tons of silver annually also reached China via the Pacific Ocean after the founding of the Spanish city of Manila in 1571. Japan exported huge quantities of silver to China until the late-17th century.

New American crops were also introduced to Chinese agriculture via the Manila galleons, contributing to a doubling or more of Chinese population during the 18th century. Silver demand grew along with China’s population increase, which in turn led to a 50% silver price premium in China this time around. Largely in response to buoyant demand, more Mexican silver was produced during the 18th century than had been produced by all of Spanish America during the 16th and 17th centuries combined. A “Tea and Opium Cycle” during the second half of the 18th century subsequently propelled British fortunes in Asia.

Economic, environmental, and demographic histories must not be viewed as independent phenomena. It is a mistake to view societies around the world as independent or weakly connected to global forces. All heavily populated continents have been deeply connected since the 16th century.