Impact of American Gold and Silver Imports on Europe 1499–1650

During the 16th and 17th centuries, Spain imported boatloads of bullion from its South American colonies. These riches provided currency for Spain to finance wars in support of Catholicism and to purchase consumer and capital goods. Spain imported so much bullion that it created an oversupply of gold and silver in Europe, leading to a fall in the value of gold and silver coins, and an increase in prices (inflation). During the “Price Revolution” of 1500 to 1640, the average level of prices in Europe increased by 300 to 400 percent. Eventually, the supply of bullion dried up, depriving Spain of its main source of wealth.

EVENTS

1499–1502 Amerigo Vespucci discovers Venezuela in South America and claims it for Spain

1503 Bullion imports to Spain from its American colonies begin

1500–1640 The Price Revolution. Value of gold and silver drops. Average level of prices in Europe increases by 300–400%

1519–1521 Spanish conquistador (conqueror-colonist) Hernán Cortés, establishes the city of Vera Cruz on the coast of Mexico and conquers Aztec Empire

1531–1533 Spaniard, Francisco Pizarro, conquers Inca Empire in Peru and establishes city of Lima

1556–1598 Reign of King Philip II of Spain. Spain is the most wealthy and powerful state in Europe

1568 Dutch begin fight for independence from Spain

1581–1630 Height of silver imports to Spain after discovery of rich silver fields in Peru

1588 Spanish Armada is destroyed by the English

1618–1648 Spanish involvement in the Thirty Years’ War

By 1650 Spanish economy and political power in decline: supply of bullion cut; king in debt to foreign creditors; Spanish industry has failed to develop

IMPACT OF GOLD AND SILVER IMPORTS

- Increased purchasing power of Spain
- Expansion of demand for goods and services
- Expansion of international trade (gold and silver were accepted all over the world as a means of payment)
- Stimulation of industry throughout Europe (in particular northern Netherlands, England, and France, which competed for Spanish custom)
- Innovations in industries in northern Netherlands, England, and France, leading to rapid development of these countries.
- Oversupply of gold and silver, leading to devaluation of currency and spiralling prices (inflation)
- Inflation throughout Europe as Spanish gold and silver flowed from Spain to other countries in payment for goods
- Prices rose faster than wages, creating poverty among wage earners and higher profits for entrepreneurs

GOLD AND SILVER IMPORTS 1503–1650

<table>
<thead>
<tr>
<th>Year Range</th>
<th>Silver (kg)</th>
<th>Gold (kg)</th>
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<tbody>
<tr>
<td>1503–1510</td>
<td>4,965</td>
<td></td>
</tr>
<tr>
<td>1511–1530</td>
<td>14,042</td>
<td>4,965</td>
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<tr>
<td>1531–1550</td>
<td>39,423</td>
<td>54,151</td>
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<td>1571–1590</td>
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<tr>
<td>1611–1630</td>
<td>4,337,595</td>
<td>4,337,595</td>
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<tr>
<td>1631–1650</td>
<td>2,453,191</td>
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</tr>
</tbody>
</table>

*1 kg = 2.2 lb

CAUSES OF DECLINE OF SPAIN

- Over reliance on bullion for wealth and on other countries to supply goods and services; resulting failure to develop industries during the economic expansion of the 16th century
- Cut in the supply of bullion, due to diminished production and increasing independence of colonies
- High taxes to pay for costly wars, cramping business and enterprise
- Lack of a powerful middle class (such as existed in France and England) to stimulate trade and manufacturing; lack of skilled labor; ruling class contempt toward industry