

Explore More—A Market Economy and Changes in International Trade Patterns

Directions: Listen to your teacher talk about the elements and importance of a market economy in 17th century Europe. You will learn how international trading and marketing patterns changed. You'll also learn about the influence of explorers and map makers during this period. Refer to the maps in your Explore Geography Picture Dictionary to locate the places your teacher mentions. Circle any words you don't understand. Underline or highlight important ideas in the text. Write notes in the margins to help you understand key points. Then answer the questions in your own words.

Europe's Market Economy

You have been learning about different kinds of economies in your study of world history. Think about the economy of the ancient Inca. Their civilization developed in South America. By the end of the 1400s, the Inca had created the largest empire in the Americas.

*Point to the area on the map where the Inca civilization developed.
Point to the time period on the class time line.*

Who was in charge of the Inca economy? Who made decisions about what work would be done? Who made decisions about who would get resources? You learned that the rulers made these decisions. The Inca had a centralized, government-controlled economy.

Draw a diagram of a centralized economy. You might draw a small circle in the center (representing government) with lines radiating out to the people in the economy.

That kind of economy is very different from the kind of economy that was developing in Europe during the age of exploration. The economy that was developing there is called a market economy. In a market economy, no one person or government controls the economy from a central point.

Draw a diagram of a market economy. You might draw lots of little circles with lines connecting them.

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A market economy is flexible and changeable. It is greatly influenced by ideas such as supply and demand. We talked about these concepts earlier in relation to the West African civilizations.

Point to the area on the map where the kingdoms of Ghana, Mali, and Songhai developed.

One of the basic ideas of a market economy is that people have the freedom to choose to buy or not to buy a product or service. They also have the freedom to start their own businesses, work for someone else, change jobs, start a new career, or join with other workers in a labor union. The freedom people enjoy in a market economy allows them to gain great financial rewards. This means they have the potential to make a lot of money. However, this freedom also means they can share in financial risks. This means they have the potential to lose a lot of money. Businesses can succeed, but they also can go bankrupt. In other words, in a market economy people share risks and rewards.

Changes in International Trading and Marketing Patterns

As a result of the explorations of the 1400s and 1500s, trade increased between Europe and Africa, Asia, and the Americas.

Point to the areas on the map of the various explorations that connected these continents.

Point to the time period on the class time line.

By the 1600s, the main European trading countries were the Netherlands, England, and France. Some traders and merchants became very wealthy from trade.

Point to the time period on the class time line.

They began to organize companies to pay for the costs of overseas trade. People could invest in the companies by buying shares. The companies used the money they made from selling shares to buy and outfit ships. Any profits were shared among the stockholders. Of course, any losses were shared among the stockholders, too.

In 1600, a group of English merchants established the East India Company in London. This brought together merchants who traded in Southeast Asia. Two years later, the Netherlands started its own trading company—the Dutch East India Company. Later, the French formed a trading company. These trading companies were almost like independent states. They had armies and navies. They made treaties with local people in areas where they traded. They even went to war to protect their interests. ❖

Questions for further discussion:

- Using your textbook, historical anthology, and the *Explore Geography Picture Dictionary*, identify the new international trading and marketing patterns that emerged in 17th century Europe. Create a map matrix or graphic organizer to show these patterns. Discuss the information you have arrayed.
- What would you like to know more about in terms of a market economy and changing international trading and marketing patterns during this period? Frame questions that you can answer by historical study and research. Conduct this research and discuss your findings.