# Chinese Pull, Not European Push: Chinese Silver Demand and the Making of the First Global Trade Network

Cole Preston

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Chinese monetary demand was the original and organizing cause of the silver-based integration that created and shaped the first global trading network. That role belongs not to European ships or the routes they created, but to Ming Dynasty fiscal policy. The price gradient created by Ming silverization determined the direction, timing, and scale of silver flows for every actor in the network. The claim holds if "global" means the inclusion of the Americas and "organizing" means anchoring prices rather than being the total cause, and it holds most strongly when China is seen as the single most important node within an otherwise polycentric Asian demand field. The typical Eurocentric narrative focuses on European motives, Iberian sailing capability, European voyages of discovery, and silver flowing into the Chinese “sink”. China is often referred to as a sink during the early modern times, and that is telling. Describing China as a “sink” for silver casts it as a passive recipient rather than a driving force behind early modern globalization.

While China did have a significant inflow of silver, it was no accident. The demand for silver in China grew exponentially and eventually drew on deposits from all over the world. At one point in the late sixteenth century, the gold/silver ratio in the Spanish world was about 1:12, whereas in China, it was about 1:6. The prices paid for silver in Guangzhou were virtually twice those paid in Seville. But there is a reason that this huge price differential exists. It wasn't based on some fundamental economic principle regarding the supply of silver. Rather, it had much more to do with the nature of China's monetary system. A major component of this was the collapse of the Ming dynasty's paper money prior to 1600. Also, there was an extremely large and growing shortage of silver relative to copper. As noted by Richard von Glahn, "the value of silver in China was primarily determined by domestic factors rather than by the amount of foreign silver which entered the country." Thus, the extraordinary demand for silver in China arose from

China's own fiscal history, not from increased trade in American silver. It should also be clear that the fiscal transformation that ultimately produced such a dramatic increase in the demand for silver was the Single-Whip tax reforms of the 1570s and 1580s. Under this tax reform, which replaced most of China's individual taxes and labor obligations with a single payment of silver, China essentially transformed itself from being unable to provide enough silver for its own needs to having a massive and unrelenting demand for it. Consequently, China's need to obtain additional silver sent shockwaves through the international trade system, forcing other countries to restructure their economies to meet this new demand. The Chinese demand for silver led to the founding of Manila as a trade port in 1571, linking Pacific mines to Chinese markets.

The strength of this argument lies in the fact that the price difference predicted what would happen. The difference in price predicted where the silver would flow to, and that is where it was valued the most. Further, it predicts where the silver would be mined from. Japanese silver production, at its peak around 1600, was second only to that of the Americas. As a result, Japanese silver flowed from Nagasaki through Macau to China rather than toward other markets like India. The price difference also predicts the slowdown once the ratios converged around 1640. A single change that caused the worldwide economy to change direction and shift global trade deserves the title of an organizing cause.

However, using the sources honestly requires acknowledging two things. First, the price gap explains the direction of silver flows, not every feature of the network. The second is that the sources themselves carry biases worth naming. Flynn and Giráldez treat silver as a commodity that flows toward its highest-price market. While this framing is clean and easy to understand, it merely reduces the Chinese change in policy to simple price and supply mechanics. Kevin O'Rourke and Jeffrey Williamson argue that globalization should mean real market integration

through price convergence, which they place in the nineteenth century. For them, 1571 is a moment of connection and not integration. Von Glahn is the strongest source against the passive "sink" framing, since he shows that China's silver demand was driven by domestic factors, though he also treats India as a major endpoint for silver flows, a point that feeds the polycentric objection addressed below. Kenneth Pomeranz argues that China and Europe were at comparable levels of development well into the eighteenth century, supporting the case against Eurocentrism.

The best argument for the claim that Chinese monetary demand was the original and organizing cause is a separation between connectivity and centrality. Europeans created new sea trade routes. The Americas were previously completely shut out of Eurasian trade, and it was the Europeans' voyages that connected them. The Chinese demand precisely explains why silver moved and centralized in China once a route existed. If demand alone were the cause, the trade routes could have been built from either end of the Pacific. China had already shut down its own Zheng He voyages decades earlier, even though those voyages were just as capable. European traders and voyages were therefore connectors to this trade network. The Chinese price gap and demand were what drew and organized everyone in one direction.

Further, this distinction strengthens and addresses one of the strongest objections to the thesis: the polycentric objection. While India did absorb large quantities of silver, any claim that China alone monetized while others did not falls apart right away. What sets China apart is not the quantity of silver it took in, but the mechanism behind its demand and the resulting structure of global trade. China’s demand was far different. It was a state-driven fiscal change that set the world price of silver through its ratio. India can be seen as a node, but China was the node against which silver was priced.

Chinese monetary demand was the organizer of the silver-based integration, which eventually

brought the Americas into an existing trade circuit. This is what made the network truly global. Global implies the inclusion of the Americas, because the Americas' absence is what kept the first early modern trade network from being truly global. Silver was the link between Chinese demand and the Americas: Chinese goods were paid for almost entirely in American silver.

When each location is analyzed and combined, a single system emerges. Japan, led by mines like Iwami Ginzan, produced as much as a third of the world's silver at its peak, while the Cerro Rico at Potosí was the single largest source in the Americas. These two sources were separated by an entire ocean, but their silver converged on a single location, China. Japanese silver left through Nagasaki and crossed the East China Sea to Macau. American silver crossed the Pacific from Acapulco to Manila. From there, both eventually made it to Guangzhou and the Fujian coast. This is the clearest evidence that a single demand was pulling it all. The Manila galleon route, the Portuguese and later Dutch trade at Macau and Nagasaki were each built or sustained because moving silver toward China was profitable. All systems within the network existed because the price of silver in China made it profitable and worth the cost and the risk. The early modern world did not become global because of European reach. It became global because a fiscal change inside China created demand so large that the rest of the world organized to satisfy it.

The frame and understanding are the key. The thesis does not delve into a claim about everything that was traded. Instead, it identifies the force, which was Chinese silver demand due to fiscal change, as the singular force that connected regional systems into a single global system. Silver moved globally because China demanded it. The means that delivered this silver were organized around this demand. Manila, Macau, Nagasaki, trade routes, American mines, and European merchants all organized around Chinese demand. The Pacific and East Asia, specifically China,

were not destinations or achievements of Europeans. China was the origin and the center around which the whole world changed and gravitated to.

## A.I. Acknowledgement

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