**The impact of silver influx from the New World – how the Peso as first global currency came into being in 16th century AD**

In 1545, the Potosi mines were discovered in the highlands of present-day Bolivia that contained silver in an abundance never imagined before. One year later similarly rich mines were discovered near Zacatecas, roughly 800 kilometers to the northwest of Mexico City. At the very same period, clever miners developed a new method of silver mining. Thanks to the use of mercury the production costs were reduced and the yield increased. Fortunately, Spain possessed enough mercury so that Philipp II and his successors had silver at their disposal in such great quantities as Europe had never seen before.

 One can only make a guess about the amount of silver gained from the New World. At the beginning of the previous century, economic historian Earl J. Hamilton evaluated the record of the Spanish tax authorities to get concrete numbers. He proved that the silver yield increased markedly in the 1560s until it reached its peak with 2,700 tons of silver in 1600. Since the middle of the 17th century, the import began to go down. According to Hamilton, a total of 16,887 tons of silver were imported from the colonies into Spain.

 These numbers, however, have been called into question in the past years because they don’t consider human nature. People always have shirked customs duties. As a matter of fact, everybody coming from the colonies smuggled. Spanish and foreign people, merchants, captains and ordinary sailors – even churchmen weren’t beyond temptation. Thus, when Father Juan Pérez Espinosa died in 1622, not too long after he had returned from a missionary journey to the colonies, he left 414,700 silver reales as well as 62 gold bars and numerous other items made of gold, of which every single piece had been imported untaxed.

 So, it is safe to assume that the 16,887 tons calculated by Hamilton are faced with the same sum of smuggled goods. Nevertheless, the total amount of imported **and** smuggled silver is roughly the same as the amount that is mined today, worldwide over the course of one and a half years. Hence, it seems like something of a surprise that this small amount of silver could have changed the world so radically.

 And yet, it did. It turned insignificant Spain, located at the edge of Europe, into the most powerful country of the entire world. The American silver helped the Spanish king to finance his wars that were to assure the hegemony of Catholicism. In terms of economy, this expensive policy didn’t make a sense. Despite of the huge amount of silver that flowed into Spain every year, Philipp was forced to declare national bankruptcy three times during his reign: in 1557, in 1575, and in 1596.

 The reason was the simple fact that Philipp spent more than he collected and was therefore in constant need of loans to pay the wages of his soldiers on time. He didn’t spend much effort on the improvement of the Spanish infrastructure. The king bought all weapons and armaments from foreign countries where the Spanish nobility bought their luxury goods likewise, while the Spanish people remained poor. The Venetian ambassador Vendramin described the situation in the late 16th century as follows: “Spain obtains almost all necessities that can be produced thanks to human diligence and effort from foreign countries. The Spaniards state with quite good reason that the treasure which comes from the West Indies to Spain produces the same effect as rain on the roof. If there is heavy rain, the water will pour down and the first to be hit won’t be able to profit.”

Hence, Spain was a mere channel for the silver to flow into the enterprising trading nations of Europe. The only thing Spain did was giving a special form to the silver. Coins were manufactured out of it which were officially called ‘real de a ocho’, meaning eight-real coin, or peso for short.

 These coins were nothing special. They were neither beautiful nor particularly stable. They varied in terms of weight and fineness. But they had one great advantage: they circulated in great quantities literally everywhere. Be it northern, southern or eastern Europe – the peso reached every corner of the continent. In 1551, the first specimens appeared in Milan, in 1554 in England, in 1570 in Algeria, and in 1579 in Estonia. In the early 17th century the real de a ocho became an official means of payment in Russia, and that was only the beginning.

 It was thanks to its ubiquity that the peso turned into the ideal trading coin, used in the Orient, in India and, most of all, in China. There, it came in small silver ingots that were assayed by official silver wholesale buyers and stamped with little chop marks before it was used as means of barter.

 … which takes us back to the cup of tea here on my desk. For centuries, the European tradesmen had faced a real problem when it came to China: China didn’t want any of the European goods. They simply didn’t meet the Chinese taste. Silver had been the only commodity accepted in barter, but Europe didn’t have a great amount of silver at hands. Therefore for centuries no extensive trade had been possible between East and West.

 The mines of Potosi and Zacatecas changed that. Now, Europe possessed enough silver – the silver that Spain got from its colonies and spent on warfare. That was the start signal for a truly international trade. Sought-after items came to places where money was. And so England, being the most important trading partner of China, became a nation of tea drinkers. That international trade was based on the real de a ocho (Spanish dollar/eight real coin/piece of eight), until England replaced Spain as the most influential global power at the end of the 18th century, and its money, the British pound, became a currency of worldwide recognition.