eleventh century, when the waves of Norman, Saracen and Magyar invasions in Europe gave way to a period of relative peacefulness, merchants began to develop commercial trade routes, open up new frontiers, and create a rudimentary system of international money and credit through the use of bills of exchange. This expansion of trade led eventually to the growth of new centres of commerce and manufacturing in the Low Countries and in Italian cities such as Florence.

In the sixteenth century, when European nations began to extend their trade and their territorial claims westward into the Americas, and eastward into the Orient, commercial capitalism was well-developed in northern Europe. In the Middle Ages, industry and agriculture in much of Europe was organized around feudal

principles which obliged serfs to work for the lords of the great estates on which they lived, while apprentices and journeymen in various trades were tied to guildmasters in the towns. This system began to break down in England and the Netherlands from as early as the thirteenth century, and by the sixteenth century it had in several parts of Europe effectively been replaced by a system of production based upon monetary payments. The expansion of trade was largely responsible for the erosion of feudalism, for it diffused a system of monetary exchange throughout Europe, gradually substituting cash payments for feudal duties and creating a market in land and in loans. Urban craftsmen and rural cottagers increasingly worked for wages from merchants who supplied them with their raw materials and who