

ACTIVITY 18.1

The Economic Story Behind Columbus' Expedition¹

In order to understand Christopher Columbus and his impact on history, you must first understand that Columbus was an **entrepreneur**. What is an entrepreneur? An entrepreneur is a person who has an idea for a business venture. An entrepreneur bears many of the **risks** of success and failure that are associated with starting the business. In return, entrepreneurs expect to earn profits. **Profit** is defined as income that remains after a business pays all its expenses. Entrepreneurs are important to economic growth. They help themselves and others identify new ways of doing things. They discover new resources. They innovate and advance beyond the current ways of doing things. Some economists classify entrepreneurship as one of four types of resources; natural resources, human resources, capital resources, and entrepreneurship. Columbus' "business" was his expedition, which was based on an exciting idea. He believed he could find a new trade route to the spice-rich Indies by sailing west from Europe. He was willing to accept many risks to make this journey, including the possibility of getting lost, the uncertainty of returning, starvation, etc. Before embarking, Columbus, as the entrepreneur, needed to find the resources necessary to take the trip. He needed to acquire *capital resources* such as ships and tools, and *human resources*—a crew.

In 1484, Columbus asked King John (Joao) II of Portugal to fund his venture. King John declined. Columbus then spent six years in Spain trying to convince King Ferdinand and Queen Isabella of Spain to invest in his venture. Finally, in 1492, King Ferdinand and Queen Isabella agreed to provide Columbus with three small ships, men, and supplies.

Why didn't Columbus succeed in securing private financing? Columbus needed a *royal* investor. He needed the power of the Spanish throne to defend any claims he made to the territory he discovered. Only a monarch could enforce these claims.

When entrepreneurs start new businesses, they often invest some of their own money. In Columbus' case, he invested his valuable time (nearly 10 years). Columbus asked the king and queen that he be allowed to finance one-eighth

¹ Drawn from *A Venture Capital Primer for Small Business, Financial Management Series* (Washington, DC: Small Business Administration, April 2009, http://www.sba.gov/idc/groups/public/documents/sba_homepage/pub_fm5.pdf) and *A Primer on Venture Capital* (downloaded from <http://www.vnpartners.com/primer.htm> on November 1, 2010).

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of the cost of future voyages. In return, he asked for a one-eighth share of the profits. He obviously expected to get back much more in profits than his one-eighth. Columbus also requested he be given the title Admiral of the Ocean and Governor-General, titles offering power and prestige.

VENTURE CAPITALISTS

Sometimes entrepreneurs cannot cover all of their expenses and start-up costs by themselves. Often entrepreneurs look to others for help. **Venture capitalists** provide financial resources to start-up companies that they believe have a high potential for success. Venture capitalists (VCs) make money by owning part of the companies they invest in. Many of these new businesses are selling a new technology in fields such as biotechnology or computer software. Because VCs invest in risky ventures, they do not expect that they will earn a positive profit every time. To compensate for the possibility of failure and the loss of their initial investments, VCs often expect a large share of the profits from the start-up company. Many VCs help manage such companies. When King Ferdinand and Queen Isabella agreed to fund Columbus, they fulfilled the role of venture capitalists. They were funding an untested technology: sailing west to China. They expected a great return on their investment: nearly 90 percent of the profits would go to Spain!

QUESTIONS:

1. What were some of the risks Columbus was willing to take?
2. What is profit? What kind of share of the profits did Columbus expect?
3. How was Queen Isabella and Spain's investment in Columbus like an investment by a venture capitalist today? What was new about Columbus' venture?

ACTIVITY 18.2

**Columbus Looks for a Venture Capitalist,
a Reader's Theater¹**

Characters	
Narrator	Father Diaz
Columbus	Hernando de Talavera, Father Confessor to Queen Isabella
King John of Portugal	Duke Medina-Sidonia
Bishop of Ceuta	Duke Medina-Celi
Royal Mapmaker	Herald
Prior of La Rabida Monastery	Grand Cardinal Mendoza
Servant	Marquesa de Deza (Queen Isabella's lady-in-waiting)
Father Marchena	Queen Isabella

Act 1, Scene 1 (Royal Palace in Lisbon, Portugal 1483)

Narrator: Christopher Columbus, Genoese captain and former weaver and wine merchant, who is now an experienced sea captain, has sent a proposal to King John II of Portugal. King John and his advisers grant Columbus an audience.

¹ This reader's theater was developed using the following sources:

Davidson, M. 1997. *Columbus: Then and Now*, Norman, OK: University of Oklahoma Press.

Flowers, B., Suiter, M., and McCorkle, S. 1992. *The Voyages of Columbus: An Economic Enterprise*. St. Louis, MO: Curators of University of Missouri.

Macneice, L. 1944. *Christopher Columbus: A Radio Play*. London: Faber and Faber.

Russell, J. 1991. *Inventing the Flat Earth*. New York: Praeger.

Taviani, P. 1991. *Columbus, The Great Adventure: His Life, His Times, His Voyage*. New York: Orion Books.

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- Columbus: Your Majesty, I have been reading maps and accounts of sailors who have sailed west past the Canary Islands. I believe that the world is not flat, but round. I think that by sailing west, I can reach Cathay for spices and also the Indies, the land of gold.
- King John: Of course you are aware of my late uncle, the great explorer Henry the Navigator. He knew, as do all of us, that the world is indeed round. In fact, we too have sent ships exploring westward. We would like to know how you propose to reach Cathay and what materials and supplies you would need.
- Columbus: Your Majesty, I need at least three ships, men to outfit them, and food and supplies for three months.
- Bishop of Ceuta: Three months? Is that all the time you believe the voyage will take?
- Columbus: Yes. My calculations are based on a letter and a map made by the great scholar Toscanelli, which lead me to believe the distance from Lisbon to Cipangu² is 700 leagues.
- ALL (the Lestrados or king's advisers): Seven hundred leagues? Why, this is lunacy!
- Bishop of Ceuta: Yes, senhor Columbus. Our mapmakers and scholars believe that the distance is at least 2,000 leagues.
- Royal Mapmaker: Senhor Columbus, we don't know where you get your information, but it is wrong. Our cosmologists³ are very confident you have miscalculated, given their studies of location and distance between stars.
- ALL (the Lestrados, *laughing*): What does he know? He used to be a weaver!
- King John: Silence! Show our visitor some courtesy. I apologize, senhor Columbus. However, I agree. The distance you suggest is too short. The voyage is much longer and much more risky than you propose. Indeed, we are content to seek a route to the Indies around Africa.

² Modern Japan³ Scientists who studied the stars to determine their location and distance.

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ALL (the Lestrados): Yes, Africa!

Bishop of Ceuta: We have a number of captains who have been working their way down the coast of Africa, and once they round the tip, we believe it will be a short trip to Cathay and the Indies.

King John: The risks are too high and the reward too low given our other investments. Captain Columbus, I'm afraid I cannot grant your request. Portugal declines to invest in your expedition. We wish you well. . . .

Columbus: I will sail on, no matter how the winds might lash me.

ALL (the Lestrados): Good luck, senhor Columbus!

Act 2, Scene 1

Narrator: The year is 1484. Following Columbus' rejection by King John, Columbus' wife dies in Lisbon. Shortly thereafter, Columbus sets off for Spain. Upon landing, Columbus and his young son immediately travel to the local monastery, where he meets Father Marchena, a priest and an astronomer.

Prior of La Rabida
Monastery (*looking
out the front gate*):

Who is this traveler arriving?

Servant: I'm not sure, Prior, but he looks weary from his journey.

Prior: Go and bring him in. Let's give him food and rest.

Columbus: Greetings, Prior, thank you for your generosity.

Prior: It is our tradition. Tell me about yourself.

Columbus: I am a sea captain who has come from Portugal to make a proposal to King Ferdinand and Queen Isabella.

Prior: What sort of proposal?

Columbus: I plan to sail west to the lands of Cipango and Cathay and to return with spices and riches beyond men's dreams.

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Prior: Hmm. . . . You might like to talk with one of our priests, Father Marchena. He is an astronomer and a mapmaker, as well. *(To servant)* Go and get Father Marchena. Tell him to bring his maps.

Columbus

(quietly to himself): The maps are all wrong, except for perhaps Toscanelli's. . . .

Servant: Yes, Prior.

Scene 2 (Later that evening, at dinner)

Columbus: So you admit the world is round.

Father Marchena: Most learned men believe so.

ALL (monks in
the diner):

The world is round? Heresy! The world is flat! You'll sail off the edge!

Columbus: Father, the world is round, which is my first point. The second is that one can sail west to reach Cathay.

Father Marchena: Have you ever thought that there may be other lands between here and Cathay?

Columbus: Of course. Marco Polo wrote of Cipango and Seven Thousand Islands. I believe that God has granted me the gift of knowledge and revealed that it is feasible to sail to the Indies. I must carry out this journey!

Prior: So you want to carry faith to the unknown parts of the world?

Columbus: That is my mission, but so far no one has accepted my proposal.

Prior: You have been rejected?

Columbus: By the King of Portugal.

Father Marchena: Spain, I fear, will give you the same answer.

Prior: I'm not so sure, Father. Our Queen Isabella has great faith.

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Father Diaz

(overhearing the conversation):

Yes, she is full of faith, but Spain's treasury is empty! The war with the Moors rages on and on. Once the Spanish armies defeat the Moors, perhaps Spain can turn to a new world.

Prior:

If our King and Queen are to invest in your proposal, they must be very sure of the return on their investment.

Father Marchena:

I am convinced señor Columbus will be successful. How shall we first get him into an audience with the Queen?

Prior:

Did you know that, for many years, I was the Queen's Father Confessor?

Father Marchena:

I did not!

Prior:

The Queen's new Father Confessor is Hernando de Talavera, and he is currently in Cordoba. I will give you a letter of introduction, but be careful when you meet him—he is a very conservative man.

Columbus:

Thank you, Prior!

ALL (monks):

Good luck to señor Columbus! Good luck in Cordoba! You will need it . . .!

Scene 3

Narrator:

Columbus takes his letter of introduction to Father Hernando de Talavera . . . which begins a series of encounters.

Hernando

de Talavera:

I cannot believe you are serious. A foreigner with no standing, wanting to see Queen Isabella, her Catholic Majesty! She is too busy with our war against the Moors to invest in such nonsense. However, the Prior says you are a very faithful man and so I will give you a letter of introduction to the Duke of Medina-Sidonia. . . .

Narrator:

Sometime later. . . .

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- Medina-Sidonia: Señor Columbus, while your project is most original and it stirs my blood, unfortunately my estates require my full attention. I can, however, introduce you to someone who has your spirit of adventure, Duke of Medini-Celi. . . .
- Narrator: Sometime even later . . .
- Medini-Celi: If it were not for this blessed war with the Moors, I would support your mission . . . but, at this time, no one can do so without royal authority. However, when the time is right, I will give you a letter of introduction to the real power behind the crown.
- Columbus: The Grand Cardinal of Spain?
- Medini-Celi: Mendoza himself. . . . Until then, I am happy to provide our hospitality.

Act 3 (Several years later)

- Narrator: After several years, Columbus finally has his letter of introduction to the Grand Cardinal, and arrives for his meeting with Mendoza to great fanfare.
- Herald: His Excellency, the Cardinal Don Pedro de Mendoza!
- Grand Cardinal
Mendoza: Señor Columbus, I have here a letter from the Duke of Medini-Celi, to whom you were sent by the Duke of Medina-Sidonia, to whom you were sent by Hernando de Talavera—Where is it you are heading, exactly?
- Columbus: I hope, your Eminence, to Queen Isabella.
- Grand Cardinal
Mendoza: As I mentioned, I have a letter from Talavera, Queen Isabella's Father Confessor.
- Columbus: Supporting me?
- Grand Cardinal: No. He thinks you are insane!
- ALL (Audience and advisers): And we agree!
- Grand Cardinal: I, however, do believe in your plan, and I myself will arrange an audience with the queen.

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Columbus: Thank you, Cardinal.

ALL (audience and advisors): Good luck at court, Columbus. You will need it!

Act 4 (The Court at Castille)

Scene 1 (Queen's anteroom, just off the main court)

Narrator: It is now 1489, five years after Columbus left Portugal. He is finally about to have an audience with Queen Isabella. The court is abuzz with expectation. . . .

Marquesa de Deza
(Queen's Lady
in Waiting): Your Majesty, señor Columbus waits.

Queen Isabella: Let him wait awhile longer.

Marquesa de Deza: Your Majesty, what will you tell him?

Queen: My Father Confessor thinks his scheme is nonsense.

Marquesa de Deza: My husband thinks it's possible. If you support it, think of all you can do for Spain.

Queen: I have already done much for Spain. I brought the country together and restored our universities. . . . Now, if only we could defeat the Moors.

Marquesa de Deza: But what of Portugal? They have explored all along the coast of Africa and have established trading ports. Think of the possibilities!

Queen: Such an investment must be made on much more than possibilities. Show señor Columbus in.

Scene 2

Columbus: Your Majesty. . . .

Queen: Señor Columbus, my Father Confessor tells me you're insane, but I'm intrigued by your plan. . . .

Columbus
(*interrupting*): Give me three ships with men and supplies. I will show you I'm not mad. . . . I can carry out this expedition. I alone have the knowledge required to successfully make this journey.

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- Queen: Watch your tone, señor. Address me in the appropriate manner! I cannot make such an investment on my own, I must consult the King and the authorities.
- Columbus: Authorities?
- Queen: A Royal Commission . . . headed by Father Talavera.
- Columbus: But Your Majesty. . . .
- Queen: Quiet! Listen!
- ALL (townspeople): Granada has fallen. The Moors have been defeated. Spain has triumphed. The Moors have been defeated!

Act 5 (Early spring 1492)**Scene 1**

- Narrator: The Spanish have defeated the Moors at Granada. Spain no longer has to commit resources to fund the war. The Queen has called a royal commission to review Columbus' plan, headed by her Father Confessor Talavera.
- Hernando de Talavera: Señor Columbus, as President of the Royal Commission, it is I who will decide to authorize your voyage to the west, but only on certain terms.
- Columbus: I have terms of my own.
- Hernando de Talavera: And what are they?
- Columbus: In return for undertaking the voyage, I demand. . . .
- ALL (members of the commission): HE DEMANDS? The impertinence!
- Columbus: . . . the title Viceroy and Governor-General of all I discover for Spain.
- ALL: Viceroy, Governor-General! (Laughter)
- Columbus: . . . and I demand the title Admiral of the Western Ocean. . . .
- ALL (members of the commission): Admiral of the Western Ocean?

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Columbus: . . . and one-eighth of all treasure, spices, gold and precious stones found on the islands I discover. . . .

ALL (members of the commission): One eighth, he is mad!

Columbus: . . . and I will own one eighth of all land discovered and the profits from these lands. . . .

Hernando de Talavera: . . . That is quite enough, señor. . . .

Columbus: . . . and, finally, I demand that by Royal Charter my family will have all rights and privileges.

Hernando de Talavera: Is that all?

ALL (members of the commission, *sarcastically*): Is that ALL?

Columbus: Yes. . . .

ALL (members of the commission, *laughing*): Oh, that is all?

Hernando de Talavera: I insist you withdraw all of these demands or the commission cannot support your proposal.

Columbus: No, I refuse to withdraw any of these demands.

Hernando de Talavera: In that case, as President of the Royal Commission, I reject your proposal.

ALL (members of the commission): Yes! Yes! The end of señor Columbus!

Columbus: This is the second time the royal commission has rejected me. I will not return a third time.

ALL (members of the commission): Thank goodness!

Columbus: I will take my case directly to Her Majesty.

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Scene 2

- Queen: Marquesa, you have heard that Talavera and the commission have rejected him again.
- Marquesa de Deza: Yes, but Your Majesty, I have heard talk that Luis de Santangel might be willing to loan you the money to finance Columbus.
- Queen: Santangel? He loaned us money to fight the Moors.
- Marquesa de Deza: Indeed, Santangel is a very successful businessman. He believes Columbus' scheme may be worth millions.
- Queen: If Santangel supports it, then I agree . . . it is done.
- Marquesa de Deza: But his demands are high!
- Queen: Yes, they are extravagant, but what risk is in it for us? Surely Santangel sees that there is very little risk for us and a potentially great reward. Columbus has asked for so little—three ships, a crew, supplies, and a few titles. If he is successful, think of the reward for our treasury.
- Marquesa de Deza: And he is a man of faith. . . .
- Queen: Yes, indeed, he can spread the faith throughout this new world. My husband agrees! Send in Columbus.

[Columbus enters.]

- Queen: I have decided to fund your venture.
- Columbus (*excitedly*): Thank you, Your Majesty. (*To himself as he departs*) It is done! My voyage will take place. They have invested in my plan, and they will not be disappointed. I set sail as soon as possible. To Cathay! To the Indies!
- Queen (*to herself*): Good luck, señor Columbus!
- ALL (the queen's court): Good luck, señor Columbus!

ACTIVITY 18.3

**Columbus as Entrepreneur;
Queen Isabella as Venture Capitalist**

After completing the reader’s theater, review your script to find examples of Columbus acting as an entrepreneur and Queen Isabella acting as a venture capitalist. Fill in the examples in the tables below.

Was Queen Isabella a venture capitalist?

Characteristics of Venture Capitalists	Example from Columbus’ Voyage?
Invest in new technologies	
Invest in risky ventures	
Own a portion of the company	

Was Columbus an entrepreneur?

Characteristics of Entrepreneurs	Example from Columbus’ Voyage?
Start new businesses/enterprises	
Bear all the risks of starting the business	
Invest some of own resources in the business	

ACTIVITY 18.4

Cost/Benefit Analysis of Spain's Investment

Use the reader's theater script to develop a list of all the costs (monetary and non-monetary) Spain had to bear to invest in Columbus' journey and all the benefits Spain expected to receive.

Costs of the Voyage	Benefits of the Voyage