

Course by C. Knick Harley

- **Lecture 1: Tuesday, 5th April, 10.00-13.30 (Aula Adam Smith, Facultat d'Economia i Empresa, Universitat de Barcelona).**
- **Lecture 2: Wednesday, 6th April 14.30-17.30 (Aula 102, , Facultat d'Economia i Empresa, Universitat de Barcelona).**
- **Lecture 3: Thursday, 7th April, 10.00-13.30 (Aula Adam Smith, Facultat d'Economia i Empresa, Universitat de Barcelona).**

The Global Economy and Britain: Discovery, Industrial Revolution, Globalization

Lectures delivered at Máster Interuniversitario en Historia Económica, Barcelona, April 2011.

C. Knick Harley
Professor of Economic History
University of Oxford

Topic 1. The First Global Economy, the Atlantic Economy and the Coming of the Industrial Revolution

Questions to consider: What was the role of trade, empire, and commercial policy in promoting growth? Why was slavery important in the eighteenth century? How much did the industrial revolution depend on slavery? Did the Royal Navy cause the Industrial Revolution?

A growth economists' view is

1. Daren Acemoglu, Simon Johnson and James Robinson 'The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth.' [*American-Economic-Review*](#). June 2005; 95(3): 546-79.

The historical literature, of course, is richer in detail. An overview is

2. Knick Harley, "Trade: discovery, mercantilism and technology" Ch. 7 in Roderick Floud and Paul Johnson, *The Cambridge Economic History of Modern Britain. Volume 1: Industrialization, 1700-1860*.
3. Ronald Findlay & Kevin H. O'Rourke, *Power and Plenty: Trade, War, and the World Economy in the Second Millennium*. Ch. 5 "World Trade 1650-1780: The Age of Mercantilism"

Britain's trade with Europe became increasingly sophisticated.

4. Rapp, R. (1975). 'The Unmaking of the Mediterranean Trade Hegemony: International Trade Rivalry and the Commercial Revolution,' *Journal of Economic History*, Vol. 35, pp. 499-525.

Bob Allen has also recently concluded that trade was a key element in the growth of Britain,

5. R.C. Allen, "Poverty and Progress in Early Modern Europe," *Economic History Review*, Vol. LVI, No. 3, August, 2003, pp. 403-443.

The discovery and the exploitation of America (and with it the slave trade) was central to early modern globalization. Initially, exploitation involved American supplies of specie and trade with Asia.

6. "Born with a "Silver Spoon": The Origin of World Trade in 1571" *Journal of World History*, Vol. 6, No. 2 (Fall, 1995), pp. 201-221.

Sugar and slaves became key in the seventeenth century.

7. Joseph E. Inikori, "The Atlantic World Slave Economy and the Development Process in England, 1650-1850"
(<http://www.waado.org/nigerdelta/Documents/Slavery/SlaveryandDevelopment-Inikori.html>)
8. Inikori, Joseph E. *Africans and the Industrial Revolution in England: A Study in International Trade and Economic Development*, Cambridge, Cambridge University Press, 2002,
9. B.L. Solow, "Introduction" and "Slavery and Colonization," in B.L. Solow, ed. *Slavery and the Rise of the Atlantic System*, ed. by, Cambridge, Cambridge University Press, 1994, pp. 1-42.

North America was also important in the Atlantic economy.

10. David Galenson, *White Servitude in Colonial America: An econometric analysis*, Ch. 9, "The indenture system and the colonial labour market: an overview".
11. James F. Shepherd and Gary M. Walton, *Shipping, Maritime Trade and the Economic Development of Colonial North America*. Ch. 1, 2, 3 and 9.

Some have claimed that the globalization that began in the sixteenth century was crucial to change in Europe in general and Britain in particular.

12. Maxine Berg, "From Imitation to Invention: Creating Commodities in Eighteenth-Century Britain", *Economic History Review*, 2002, pp. 1-30. or "In Pursuit of Luxury: Global Origins of British Consumer Goods in the Eighteenth Century", *Past and Present*, 2004, pp. 85 – 142.

For others the successful mercantilist state was key to British success.

13. P. K. O'Brien, "Inseparable Connexions: Trade Economy, Fiscal State and the Expansion of Empire, 1688-1815' in P. Marshall (ed), *Oxford History of the British Empire*, vol. 2 (OUP 1998).
- 14.
15. P.K. O'Brien and S.L. Engerman, "Exports and the Growth of the British Economy from the Glorious Revolution to the Peace of Amiens," in *Slavery and the Rise of the Atlantic System*, ed. by B.L. Solow, Cambridge, Cambridge University Press, pp. 177-209.

Such views are, however, subject to doubt.

16. Jan de Vries, "The limits of globalization in the early modern world" *The Economic History Review* 63:3 (August 2010)., pp. 710–733,
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17. Patrick K. O'Brien, (1982). 'European Economic Development: The Contribution of the Periphery,' *Economic History Review*, 2nd series, Vol. 35, pp. 1-18.

Topic 2: The Industrial Revolution: Trade cause or effect?

Trade, of course, loomed large in the British economy prior the industrial revolution of the end of the eighteenth century. The connections between trade and growth are subject to debate. Review my overview:

1. C. Knick Harley, "Trade: discovery, mercantilism and technology" in Roderick Floud and Paul Johnson, eds. *The Cambridge Economic History of Modern Britain: Volume 1, Industrialisation, 1700–1860*.
2. Ronald Findlay & Kevin H. O'Rourke, *Power and Plenty: Trade, War, and the World Economy in the Second Millennium*. Ch. 5 Ch.6 "Trade and the Industrial Revolution."

Crafts discussed the role of trade in Britain's structural change in

3. Nicholas Crafts, "Specialization and international trade" Ch. 7 in Crafts, *British economic growth during the Industrial Revolution*.

The following see more a more active role for trade.

4. J. Cuenca Esterban, 'The British Balance of Payments, 1772-1820: Indian Transfers and War Finance,' in *Economic History Review*, 54 (2001), pp. 58-86.
5. J. Cuenca Esteban,. "The rising share of British industrial exports in industrial output, 1700 -1851. *Journal of Economic History* (1997) 57: 879-906
6. Cuenca Esterban, 'Comparative Patterns of colonial Trade: Britain and its Rivals,' in Prados De La Escosura (ed.), *Exceptionalism and Industrialization* pp. 35-66.

7. J. Cuenca Esterban, 'Balance of Payments and India's Contribution to the British Balance of Payments, 1757-1812,' *Explorations in Economic History*, 44 (2007), pp. 154-76.

Cuenca argues that export growth was a more important force in British expansion than many commentators believe. His analysis, however, fails to consider adequately the radical decline in cotton textile prices that was central to export growth.

Within the Crafts-Harley view of the industrial revolution, trade, while perhaps not a key cause of growth, was a vital feature in the structural transformation of the economy. Look again at

8. C. Knick Harley and N. F. R. Crafts, "Simulating the Two Views of the British Industrial Revolution." *JEcH*, Sept. 2000, pp. 819-41.
9. Peter Temin, "Two views of the British Industrial Revolution," *JEcH*, March 1997, 63-82.
10. N.F.R. Crafts and C.K. Harley, "(with N.F.R. Crafts) "Precocious British industrialization: a general equilibrium perspective" in Leandro Prados de la Escocura (ed), *British Exceptionalism: A Unique Path to the Industrial Revolution* (Cambridge University Press, 2004)

Trade was a key driver of the structural change that occurred in the British Industrial Revolution but it did not necessarily generate increased British welfare.

11. D. N. McCloskey. "Magnanimous Albion: Free Trade and British National Income, 1841-1881" *Explorations in Economic History*, July 1980.
12. Douglas Irwin, "Welfare effects of British free trade: debate and evidence from the 1840s" *Journal of Political Economy*, Dec. 1988, 1142-64.
13. N.F.R. Crafts and Mark Thomas, "Comparative advantage in UK manufacturing trade, 1910-1935." *Economic Journal* Sept. 1986, 629-45.

Topic 3. Late 19th century globalization and the British economy.

Questions to consider: Did technological change or institutional development drive nineteenth century globalization? Was the rise of global capital markets the result of political motives or economic opportunities?

Around the middle of the nineteenth century, changes in economic policy helped to stimulate globalization. Britain's elimination of its Corn Laws in the 1840s is seen as a first move. The issues are considered in

1. McCloskey, D. N. (1980). "Magnanimous Albion: free trade and British national income, 1841/1881." *Explorations in Economic History* 17: 303-20.

The late nineteenth century was a period of integration of the world economy on a scale unparalleled until the past 50 years. An overview is my

2. Knick Harley, "Trade 1870–1939: from globalisation to fragmentation" in Roderick Floud and Paul Johnson, eds. *The Cambridge Economic History of Modern Britain: Volume 2, Economic Maturity, 1860–1939*.

Recently the theme has been expanded by

3. O'Rourke, Kevin H. and Jeffrey G. Williamson (1999) *Globalization and history: the evolution of a nineteenth-century Atlantic economy*. (Cambridge, Mass.: MIT). Particularly Ch 1-4.

Although this is an important work, I have some reservations.

4. Harley, Knick (2000) "A Review of O'Rourke and Williamson's *Globalization and History: The Evolution of a Nineteenth Century Atlantic Economy*." *Journal of Economic Literature* 38 (December 2000): 926-35.
5. Harley, Knick (2007) "Comment on factor prices and income distribution in less industrialised economies, 1870-1939: refocusing on the frontier" *Australian Economic History Review*, 47:3, 238-48.

There is an older work that focuses on geographical expansion and Europe's involvement. See

6. R. Hall, "Introduction" in Hall, ed., *The Export of Capital from Britain 1870-1914*, 1-13.

Much of my own research has been in this area. Expansion in areas of recent settlement was central to the process. In the US westward expansion was a response to price

7. Knick Harley, "Western Settlement and the Price of Wheat" *JEcH* 37 (Dec. 1978).

Railroad investment was a key part of the process

8. C. Knick Harley, "Oligopoly Strategy and the Timing of American Railroad Construction." *JEcH* 42 (Dec. 1982).

The trade that emerged was characterized by an evolving pattern of multilateral exchanges and payments.

9. B. Saul, "Patterns of Settlement: I. The structure of world trade." Chapter 3 in Saul, *Studies in British overseas trade, 1870-1914*, pp. 43-64.