The rise and decline of Britain.

- Aspects of British industrial success.
  - Industrial organization.
  - Industrial districts.
  - International trade.
  - The British Empire.
  - Free trade.
- The debate over British industrial decline.
  - Did Britain decline?
  - Theories of decline.
    - Culture.
    - Technological trajectories and timing.
Industrial organization in Britain.

When an industry has thus chosen a locality for itself, it is likely to stay there long: so great are the advantages which people following the same skilled trade get from near neighbourhood to one another. The mysteries of the trade become no mysteries; but are as it were in the air, and children learn many of them unconsciously. Good work is rightly appreciated, inventions and improvements in machinery, in processes and the general organization of the business have their merits promptly discussed: if one man starts a new idea, it is taken up by others and combined with suggestions of their own; and thus it becomes the source of further new ideas. And presently subsidiary trades grow up in the neighbourhood, supplying it with implements and materials, organizing its traffic, and in many ways conducing to the economy of its material.

Lancashire.

**Original advantages.**

- Poverty.
  - Pastoral farming lends itself to small-scale enterprise.

- Indigenous textile tradition.
  - Woolens under Yorkshire influence and linens under Irish influence.

- Climate.
  - Cotton “hydroscopic.”
  - An east wind reduces output and quality by 10 per cent.

- Water and coal.

- Lack of institutional constraint.
  - Manchester a new town.
  - Grows from 7th largest in 1775 to 3rd largest in 1801.

Lancashire.

External economies.

- Transportation.
  - Port of Liverpool develops with Manchester.
  - Canals, turnpikes, and railways.
    - World’s first passenger railway.
  - Later, telegraph and telephone turn Manchester into communications center.

- Markets.
  - Cotton exchanges create thick market for worldwide imports.
  - Power loom and mule adapted to wide variety of cotton types and quality.
  - Worldwide network of commissioning agents.

The Manchester Cotton Exchange.
Lancashire.

- External economies.
  - Vertical specialization.
    - Low barriers to entry.
    - Tens of thousands of establishments.
    - Specialization by type of yarn or cloth.
    - One firm may lease space in several mills and one mill may contain several firms.
    - “Flexible specialization.”
  - Subsidiary industries.
    - Textile machinery industry.
    - Banking and finance.
    - Transportation and communication.
Lancashire.

International trade.

Sales worldwide, but especially to subtropical areas of India, China, Latin America.

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The British Empire.

- Beginnings in Mercantilist trading monopolies.
  - East India Company (1600).
- Trading companies take on political and military functions.
  - Creating trading institutions and preserving openness of markets.
- British government takes over functions of trading companies.
  - East India Company nationalized 1773.
  - Monopoly abolished 1813.
Britain and Free Trade.

- Smith's *Wealth of Nations* attacks mercantilism.

- The Corn Laws.
  - Import controls after Napoleonic wars.
  - Ricardo discovers comparative advantage.
  - Anti-Corn-Law League founded in Manchester, 1836.
  - Corn Laws repealed, 1846.
  - Reflects shift of economic power from agriculture to manufacture.

- Anglo-French commercial treaty (1860) virtually eliminates tariffs.

David Ricardo (1772-1823).

Image courtesy of the Warren I. Samuels Portrait Collection at Duke University.
Britain and Free Trade.

Figure 1.1. Average Tariff Rates: Tariff Revenue as a Fraction of All Imports (Imlah, 1958; Lévy-Leboyer and Bourguignon, 1985).
The decline of Britain.

- Relative or absolute decline?
- Timing of decline.

The Crystal Palace, site of the Great Exhibition of 1851, which showcased British technology to the world.
The decline of Britain.

GDP per capita in 1990 dollars.

The decline of Britain.

- Britain retains lead in traditional industries.
  - Textiles, textile equipment, shipbuilding, cable.

- Britain cedes lead to US and Germany in new areas.
  - Organic chemicals, electrical products, steel.

The decline of Britain: hypotheses.

- **Culture.**
  - Sons of *nouveau riche* capitalists study classics at Oxford and Cambridge.
  - Culture of the gentleman: anti-technology and anti-business.

- **Educational system.**
  - Britain relies on on-the-job training.
  - No system of technical education.

- **Costs of empire.**
  - Civil service drains off talent.
The decline of Britain: hypotheses.

- Institutional inertia.
  - The “disadvantages” of an economic head start.

- Technological trajectories.
  - The case of the ring spindle.

The ring spinning frame.