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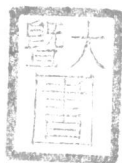
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INTRODUCTION TO
ECONOMIC HISTORY
1750-1950

BY

G. D. H. COLE



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PREFACE

THIS volume, small though it is, has a long history. I wrote the first draft of it twenty years ago, with the intention of including it in my *Intelligent Man's Guide Through World Chaos*, but only a small section of it was finally used in that book, and several times since I have done a little work on it with the intention of publishing it separately. During the past year I have rewritten it, so that only a very little of my draft of twenty years ago survives. I have, however, to thank Mr. Victor Gollancz and Mr. Alfred Knopf, who published my *Intelligent Man's Guide* in Great Britain and in the United States, for permission to make use of the small part of it which did finally appear in that work. By far the greater part of the present volume is new: I make no claim that it is more than a very elementary introduction to a wide subject. My reason for publishing it is that, as far as I know, no similar brief introduction exists.

G. D. H. C.

OXFORD
March 1952

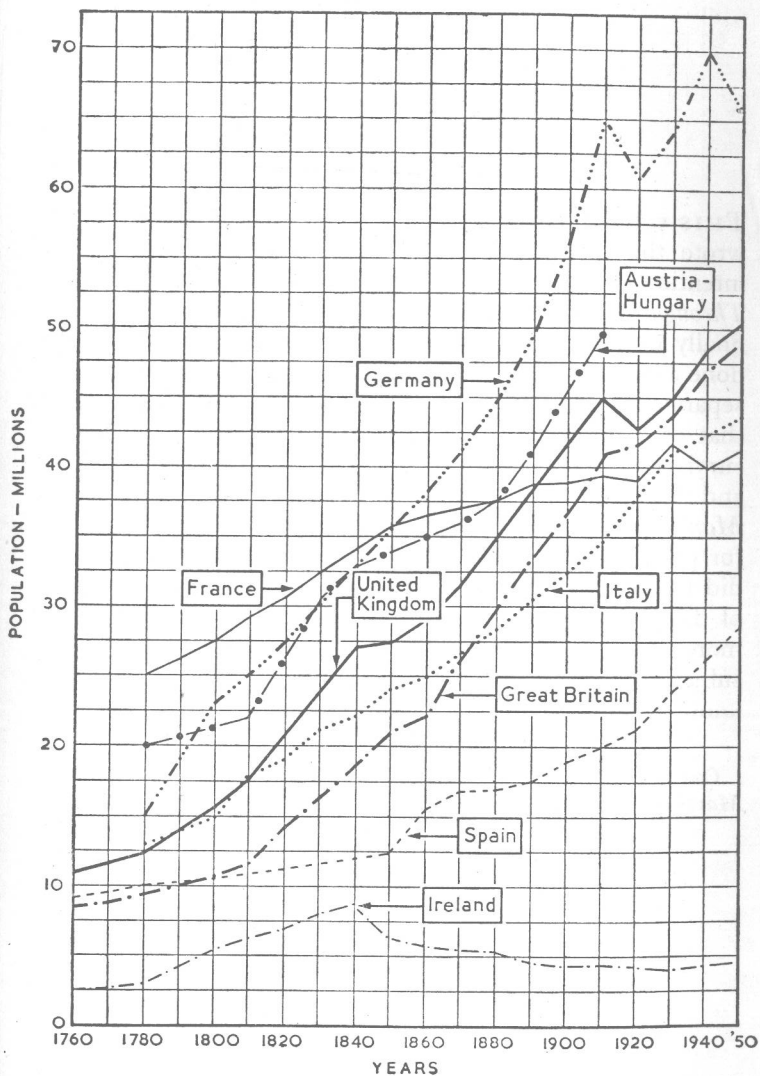


CHART 1 : Rise of Population in Western and Central Europe, 1760-1950

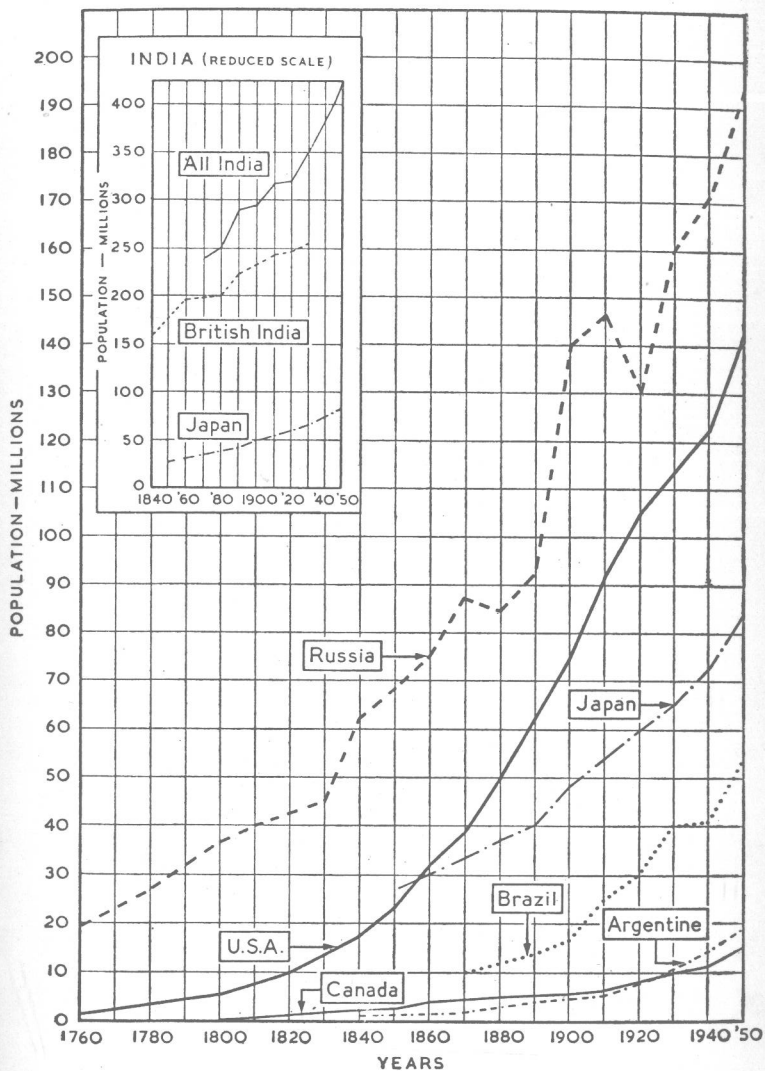


CHART 2 : Rise of Population in Russia and in certain non-European Countries, 1760-1950

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Introductory

THIS short book can be only a most summary introduction to its subject. It is meant, not for economic historians, but for students of the modern world who want to have a general notion of the economic changes which, over the past two centuries, have transformed the entire way of living for a large section of the world's peoples and are to-day spreading to areas which had been little affected by them only a few years ago. How have these changes come about, and by what stages have they carried the world to its present condition? What lessons that will help to guide us in facing the future can we learn from what has happened hitherto?

To-day, in the countries which have been the principal centres of industrial development, most of the people live in towns, and the proportion living in the countryside shows a continuous tendency to fall. After a period of rapidly rising populations, most of these countries have experienced a sharp fall in their birth-rates, which the continual fall in infant mortality and the longer expectation of life have not sufficed to counteract. Their populations are now, for the most part, increasing but slowly, and in some cases not at all; but there is a steady tendency for the age-composition to alter, with fewer children being born and more men and women surviving into old age. Town-dwelling has greatly altered the pattern of living. In towns, and especially in great cities, family ties are usually much weaker than in villages; and the family

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ceases to be an economic as well as a social unit, as it is among peasants in most parts of the world. Nor are the ties of neighbourhood nearly so strong among city-dwellers as in the country, though they are much stronger in slums and old working-class areas than on new housing estates or in middle-class suburbs. Moreover, though the skilled craftsman still learns a trade for life, he is much less likely than the old-time craftsman to practise it for life in one employment, or even in one branch of industry; and much craft work has been taken over by a host of dexterous machine-minders, women as well as men, who can shift fairly easily from one branch of mechanised production to another, and therefore strike no deep roots in any one. Over and above all this, in great towns more and more people work in one place and reside in another, often at a considerable distance. This means not only much time spent in travelling, but also a much greater divorce between the human contacts of work and home. Wives do not know their husbands' work-mates or their wives. Husbands divide their social contacts between the work-place and the place of residence. The result is greater individual liberty in some respects — much less pressure of public opinion for conformity of behaviour within neighbourhood groups, much more latitude for men and women to develop their own separate social contacts, if they are so minded, and also much less domestic pressure upon adolescents and even on children still at school.

Our town-dwelling civilisation is a by-product of industrialism. Our towns have grown up round ports, upon coalfields, or wherever an industry has once taken root — for the presence of a few firms in a place, engaged in a particular type of production, has been a strong inducement to other firms to settle near by, in order to get the benefit of a common pool of suitable workers and the services of ancillary trades with which they need close

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relations. There were great cities before the Industrial Revolution ; but they were few, and were mostly centres of government as well as of production or commerce. There were many small towns ; but they were mostly rather market centres for the surrounding country than independent units in their own right. Those who lived in them were in close contact with the countryside : there was no clear line of division between the large village and the town.

Urbanisation, then, is the outstanding mark of modernity ; and with it goes a transformation of the ways of living. The town-dwellers include a host of manual workers whose lives are passed in daily contact with machinery, and a lesser, but ever-growing, host of clerical and administrative workers in offices, public and private, banks and shops. Government, national and local, increases its demands on man-power at a prodigious rate ; and there is a great growth of the professions, including many new ones which achieve recognition of their status in the professional hierarchy. Social stratification becomes much more complex : birth counts for less and education for more, and the educational system itself undergoes vast changes to adapt it to the conditions of a changing society.

In this modern capitalistic world the small economic unit survives in large numbers — small shops and offices, small firms engaged in building or manufacture, garages and a great many others. But more and more people are employed in large establishments, which are in many cases owned by concerns which operate many plants — for the scale of business organisation is often much larger than that of production. The individual employer is usually at the head of a small or at most a middle-sized business. The representatives of big business tend to be either financiers, with a finger in many pies, or managerial experts drawing large salaries — very often “ self-made ”

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men. They stand at the apex of large hierarchies of salaried administrators and experts, recruited from a wide variety of social groups, and without a great deal in common with the family-firm type of employer or with the small master or trader running a personal business. Technical progress, formerly to a considerable extent a matter of individual discoveries and improvements, often made by innovators without higher scientific or technological knowledge, comes to be more and more a matter of expensively organised research, which can be afforded only by the biggest firms or by collective institutions, private or public, or betwixt and between. Research laboratories employ a large body of trained lesser technicians, working under scientific leadership; and big productive firms also employ large numbers of technically trained experts. The proportion of employed persons engaged in actual productive operations in industry, after rising sharply during the earlier stages of industrialisation, tends to fall; the proportion of administrators, technicians, draughtsmen, clerks, computers and typists tends to rise. The proportion of transport workers first rises sharply and then becomes relatively stable. That of domestic workers in private houses first rises, and then falls off, but the number of those engaged in institutional services continues to increase sharply. Outside industry, such vocations as teaching, nursing and social work become more highly professionalised. The number of persons possessing some sort of professional qualification increases fast, particularly at the lower levels of remuneration. Recognised, collectively negotiated scales of remuneration spread from manual work to more and more professional and semi-professional occupations: Trade Unionism, ceasing to be mainly a monopoly of the skilled manual crafts, spreads upwards to the salaried grades as well as downwards to the less skilled workers. Businesses combine more and more, both to bargain collectively with

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employees and to regulate the market through trade associations and to represent economic interests in dealing with governments, which, turning their backs on *laissez-faire* notions, intervene more and more in economic affairs.

The town — with its aggregation of people dependent on wages, living mainly in rented dwellings, and without any family homestead to which they can return in time of trouble to share its poverty as recognised members of a group bound together by close traditional obligations — has to replace family solidarity by forms of collective provision, public or private, for meeting the calamities and insecurities of industrial civilisation. The forms taken by this development vary greatly from country to country. In nineteenth-century England, an intentionally inhumane and deterrent poor law existed side by side with a great expansion of voluntary charity—dispensaries, hospitals, relief agencies often animated by religious principles and with a strong preference for aiding only the “deserving” poor — or those who could make a plausible pretence of desert. Self-respecting workers and small traders built up, as means of escape from both poor-law stigma and the *de haut en bas* inquisitions of charity, their own agencies of mutual help — Friendly Societies, Penny Banks, Co-operative Societies and the like. During the age of *laissez-faire*, there was strong prejudice against the State entering into the business of “relief”, save as a last resort; and the poor law, conducted on this principle, earned the bitter hatred of the poor and impelled them to provide for their own needs as far as they could. But as the franchise became more democratic, and politicians had to bid one against another for poor men’s — and later poor women’s — votes, the pressure to develop public social services, free from the stigma of pauperism, increased. In Germany, Bismarck became the pioneer of State-organised compulsory insurance, which made the

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poor pay for the poor by equalising the burden; and other countries, before long, followed suit. But matters could not stop there: when it had been recognised that the State had an obligation to make collective provision for reducing the insecurities of life under industrialism, the politicians could not long stop short of providing a part of the money out of the proceeds of general taxation. In the twentieth century there was a very rapid extension of social services, spreading even to the United States, the final stronghold of *laissez-faire* notions, during the great depression of the 1930s. Dependence on public provision for meeting misfortune ceased to be regarded as a disgrace and became a normal thing for the entire working-class, and presently began to spread up the social scale to embrace the middle classes as well. Old Age Pensions, Children's Allowances, National Medical Services, free or highly subsidised higher education, subsidised housing, came in side by side with cash benefits in sickness, disablement and unemployment. In the economically advanced countries, social security became part of the programme of every political party aiming at a popular appeal.

In the nineteenth century, advanced economic systems existed only on a basis of private ownership and enterprise. There were public enterprises, national and local; but they were exceptional, and took their tone mainly from their capitalistic environment. It was commonly believed that capitalism, often called "free enterprise", was the only foundation on which economic productivity could be built. Throughout the century there were Socialists who attacked the prevailing system and called for public planning and control of production; but there was no actual economy based on public ownership. Not until the Russian Revolution of 1917 did a State go over to a comprehensive system of public enterprise; and there were many thereafter who contended that the new

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States of the Soviet Union must speedily collapse because they were flouting both "human nature" and the "laws of political economy". It was said confidently that no country in which the public owned industry would ever consent to set aside for capital development enough of its current productive resources to keep the industrial machine intact — much less to allow productivity to be improved. In fact, however, the Soviet Union has maintained over more than a quarter of a century the highest rate of capital investment ever known and, far from showing signs of economic breakdown, has leapt in a generation from gross economic backwardness to a position which allows it to challenge the most advanced nations. It may be said that this has been possible because the Soviet Union is not a consumer-controlled democracy but an authoritarian autocracy under Communist control; but, whatever the reason, the fact remains that capitalism has been shown to be not the *only* economic system capable of utilising modern scientific techniques and of undertaking great schemes of capital development. It remains to be seen whether Marx was correct in prophesying that capitalism, having served its purpose, would prove incapable of controlling the expanding powers of production and would in due course be everywhere superseded by some form of collective organisation of industry. To discuss that question is outside the scope of the present history; but the Soviet Union is by now an historical force and will have to be taken account of in its place. So will the evolution, in Great Britain and elsewhere, of "mixed systems" in which capitalism continues to exist side by side with a "socialised sector" and subject to a considerable element of public planning and control.

In the present study I shall go back no more than two centuries, though of course what happened in industry and agriculture, in transport and commerce, in the growth of towns and in the reshaping of class-structures after

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1750 had its roots in a scientific revolution which began much earlier and was closely connected with the discovery of the New World and with the break-up of the medieval social order. I must take these and many other factors for granted, in order to keep my subject within manageable limits. The justification for starting at about 1750 is, not that there was a sharp break at about that point, but that, in the particular country which came to be the leader in the Industrial Revolution, it was in the second half of the eighteenth century that the pace of economic change was so speeded up as to involve sweeping changes in the ways of living of the people, in the pattern of town and country, and in men's thoughts about society.

The country in which this great change first came about was England — England rather than Great Britain as a whole, for only small areas in Wales and Scotland were much affected in the earlier stages. From England the Industrial Revolution spread out, to conquer other countries ; but nowhere else, until much later, did it lead to quite so far-reaching an upset of the traditional ways of living. The story of the great transformation in its effective beginnings has to be told largely in terms of the English experience. Later, we shall see other countries joining in, each in its own rather different way. But it is pertinent to have in mind from the beginning that, after two centuries of unprecedentedly rapid economic change, the Industrial Revolution is still a long way short of having spread over the entire world. We have witnessed, in our own generation, its spread to Russia, where, under the Czars, it had barely touched the lives of most of the people. Even now it has spread only a little distance in India and in China, and hardly at all in a large part of Africa. Much of Latin America is still little touched by it, though there development has been rapid in recent years. A high proportion of the world's inhabitants are