

# ENGLISH ECONOMIC HISTORY

mainly since 1700

BY  
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## Preface

THESE lectures were delivered at Cambridge University in the academic year 1939-40 and represent two-thirds of the course, the balance being devoted to Social Conditions and Popular Movements, of which some years ago I attempted a sketch under the title of *Life and Labour in the Nineteenth Century*.

To the reader, perhaps, they may appear rather disjointed, but I think that this was less felt by the students, because not a few were by way of answers to questions in the fortnightly papers after I had read and corrected these. Two reasons induce me to publish them. The first is the hope that they will be of service to those whose studies are curtailed by the war. The second is the fact that owing to the constant output of good books it becomes increasingly difficult to do justice to all phases of the subject in a single course. This will clear the way for fuller attention to the social side in subsequent years.

Four of the lectures were delivered by friends, of which one is abstracted (pp. 196-7) and the other three are published as appendices. A talk on Bagehot, by Mr. F. W. Hirst, as it will be used elsewhere, does not appear here. On behalf of the class I express my gratitude for these contributions. I also thank my son, H. C. Fay, for the index.

C. R. FAY.

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Part I

**PROLEGOMENA**



## CHAPTER I

1776

No title would be so attractive for Lecture I as "Eve of the Industrial Revolution," yet none so hard to handle. For we cannot give it a precise date, and the very use of the term raises protests from those who say that there was no industrial revolution and therefore no evening to it. Let us, then, take a specific year, 1776 (the year of the first St. Leger<sup>1</sup>), and keeping to this year and a short period on either side of it, consider what there was of exceptional significance to economic history then.

1776, as all know, and it is one of the few things that all know, was the year when America declared her independence (4th July) and Adam Smith published the *Wealth of Nations* (9th March). He had foreseen the break, but it is too much to hope that if he had sent his manuscript to press before the Boston tea party of 16th December, 1773, the issue would have been any different. For the solution which he favoured in the *Wealth of Nations*—economic freedom plus political union—would, on the evidence of the subsequent history of the Empire, including Ireland, have been not less distasteful than the existing status.

Not so many know, or knowing remember, that on 25th August, 1776, David Hume breathed his last and that in March, 1776, Canada repulsed an invasion from America. It is, however, with these two episodes that we concern ourselves chiefly in this lecture.

On 16th June, 1776, Adam Smith wrote to the dying Hume:

A mineral water [Hume was taking the Bath Waters] is as much a drug as any that comes out of the Apothecary's shop. It produces the same violent effects upon the body. It occasions a real disease, tho' a transitory one, over and above

<sup>1</sup> The race, not yet called the Leger, was run on Cantley Common in 1776 and '77, as a two-mile handicap for 25 guineas. In 1778 the course was moved to its present position because of a turnpike road to Bawtry cutting the old course; it then received its title from the Marquis of Rockingham after Lieut.-Gen. Anthony St. Leger. It has been held each year on the same course (second Tuesday in September) till 1939, when the outbreak of war compelled its cancellation.

that which nature occasions. If the new disease is not so hostile to the old one as to contribute to expel it, it necessarily weakens the Power which nature might otherwise have to expel it. Change of air and moderate exercise occasion no new disease: they only moderate the hurtful effects of any lingering disease which may be lurking in the constitution; and thereby preserve the body in as good order as it is capable of being, during the continuance of that morbid state. They do not weaken but invigorate the power of Nature to expel the disease.<sup>1</sup>

This is significant both for its content and for the person to whom it is addressed.

Adam Smith here implicitly sums up his free trade philosophy. It is not the medicine of artifice, but the common sense of nature. It is not a system of the French type, but empiricism of the British type—hard-headed, nature-trusting common sense, with a warm corner for anything that resembled the current practice of matter-of-fact Holland. And so to the master the Bath Waters were, like mercantilism, an artificial stimulant. What Hume needed, what the England of 1776 needed, was the fresh air of freedom, the vigour of the countryside. That way lay health alike for the physical and political body. Do we not see in a flash how inadequate the term *laissez-faire* is to translate Adam Smith's system, "your" system, as Alexander Wedderburn and other disciples were already terming his constructive vision of economic freedom?

It is hard to say any new thing of the perfect friendship between Smith and Hume; but I think of 1776 as the year in which the author of the *Wealth of Nations* left the author of the *Theory of Moral Sentiments* so far behind that not even the happiest sallies in Hume's *Balance of Trade* could have kept their economic partnership abreast. It is well to remember that the father of political economy was a professor both of logic and moral philosophy. But he only became a great economist when he evolved a technique of analysis with which no general philosopher could keep pace. Mill's *Logic* is assuredly greater than his *Principles of Political Economy*, but the distance which measures his greatness as a logician measures also his limitation as an economist.

<sup>1</sup> W. R. Scott, *Adam Smith as Student and Professor*, p. 272.



In March, 1776, Canada repulsed an invasion from the embryo American Republic. The episode is of some significance in naval and military history, and may be studied in detail in the relevant chapters of the *Cambridge History of the British Empire* (Vol. VI, "Canada") and Mr. C. N. Parkinson's *Edward Pellew, Viscount Exmouth* (1934). If colonial warfare had been naval warfare, it is hard to believe that the American colonists would have won their independence, but they dealt with us in their backwoods as the Boers dealt with us on their Veld (and in England there were more pro-Americans in 1776 than pro-Boers in 1899). The situation was otherwise when they came out of their woods and risked a backdoor raid upon the frozen fastness of Canada. Indeed, they had as much chance of taking and holding the sub-continent of Canada as of taking and holding the island of Guadeloupe.

The De Wet of 1775 was a certain Benedict Arnold, who with one Ethnan Allen captured in quick succession Ticonderoga, Crown Point and St. John's (Quebec), May, 1775. These two and their compeers, Thomas Walker (to whom the episode was a Jenkinsian revenge for the loss of his ear) and Richard Montgomery, a decent man, were like the Fenian raiders of a later day in that they damaged better than they knew. The invasion of 1775 by rousing the Canadians to a hearty resistance accomplished "more for the enlistment of the habitants under the British standard than all the threats and exhortations of Carleton and his priests and seigneurs."<sup>1</sup> And the all-round failure of the raiders in the year following did something to stiffen the discipline of the cause to which they belonged. America learnt then the necessity of sterner discipline and of a national, as distinct from a provincial, outlook. "It is significant," says the *Cambridge History*, "that the Declaration of Independence, the symbol at least of national unity, followed close on the heels of the failure of the invasion of Canada."<sup>2</sup>

The reason for the failure was the physiography of land and water, and Mr. Belloc would have loved to have the telling of it. But Mr. Parkinson has done it for him. Lake

<sup>1</sup> *Cambridge History of the British Empire*, VI, 178.

<sup>2</sup> *Ibid.*, 182.

St. George and Lake Champlain formed a north-south waterway, which all but joined the Hudson of the English colonists with the St. Lawrence of the newly-conquered French. (The land stretch of 16 miles from St. John's to the St. Lawrence was the site of the first railway of Canada, the Champlain-St. Lawrence portage road of 1837.) This waterway, however, was also a barrier of wood and water between New England and the Middle Colonies; and a force astride it not only severed New England from the food and people to their west, but, if its navy also held the sea, they turned New England into an island like Newfoundland. Now, it was equally as easy to cross the height of land by Saratoga and descend on Albany from the north, as it was to descend similarly on Montreal and Quebec from the south. But, in the latter case, it was very much harder to stay put owing to the severity of the Canadian winter. This explains the fiasco of the siege of Quebec in the winter of 1775-76, when Arnold shivered and starved and lost half his men from exposure and smallpox outside Quebec, while Carleton, the Governor, lived in tolerable elegance within, his men being comfortably besieged in a citadel which they had no purpose in leaving.

It explains also the completeness with which, in 1777, the luckless Burgoyne was "mafekinged" at Saratoga. For it was a thoroughly sensible idea to close the water ring around the rebels, and a winter outside Albany, though cold enough, was tolerable. But if your Lord Roberts (General Sir William Howe) does not get any marching orders from the War Office, it is not to be wondered at that Burgoyne from the north did not join forces with Howe from the south, seeing that Howe never started. Mr. Parkinson is mild in calling it "a startling feat of incompetence at home"<sup>1</sup>—that home from which English defeats from Calais to Khartoum so often were engineered. The "if" school of historians may suggest here that a successful Burgoyne might have antedated the boy scout movement by more than a century. But instead, he had an illegitimate son, who became a field marshal, and he forgot the humiliation of Saratoga in the impeachment of

<sup>1</sup> C. N. Parkinson, *Edward Pellew*, p. 42.

Warren Hastings. Having helped to lose an empire across the Atlantic, he persecuted the winner of an empire in the Indian Seas. Before his death, in 1792, this admirable Whig soldier had achieved a full hand.

Mr. Parkinson's hero comes into the picture thus. Midshipman Pellew was on the Atlantic in a fine French-built frigate the month the *Wealth of Nations* was published. On 10th June his boat reached Trois Rivières. To come to grips with Arnold, who had by now retreated to Lake Champlain, which he held with a flotilla, it was necessary to build a bigger ship than he had and to "portage" the parts from St. John's over to the north end of the lake. Pellew was in at this and displayed, we are told, on a certain critical occasion the springiness of a squirrel. In the ensuing naval encounter Arnold was outmanœuvred and took refuge in flight; but in a sense he had won, for he had held up the English long enough to compel them to wait till the spring of 1777 for the taking of Ticonderoga, after which, for the reason already given, came the disaster of Saratoga. However, the restless Pellew had only one day of captivity (14th October); for Burgoyne sent him home with dispatches and a very honourable mention, and he was promoted lieutenant after passing an examination, which took the form of being required to describe the Saratoga campaign from start to finish. With propriety, Mr. Parkinson might have taken as sub-title for his exciting biography "From Saratoga to Algiers."

As defence is of more importance than opulence, there is, perhaps, no incident which forms a more appropriate introduction to the economic history of this time than the above. The sailors and the settlers—the Navy and the United Empire Loyalists—called in a new empire to redress the miscarriage of the old. Without Canada and those other Dominions which were still in the womb of time, England willy-nilly would have been compelled after 1783 to accommodate herself to the essential mediocrity of her island circumstance. And right through her history from that day to this runs Huskisson's solemn warning: "England cannot afford to be little. She must be what she is, or nothing."

## CHAPTER II

### THE MERCANTILE SYSTEM

#### THE WORD.

The French are great phrase-makers: *impôt unique*, *physiocrate*, *laissez-faire*. And I think we must allow them also "industrial revolution" and "the mercantile system." On revolution, Littré is enlightening, for he gives us the following from Raynal (1780). "Une grande révolution se prepare dans le commerce de l'Europe, et elle est déjà trop avancée pour ne pas s'accomplir." It is a happy lead; for just as Mrs. Knowles with deliberate intent entitled her history *The Industrial and Commercial Revolutions in Great Britain during the Nineteenth Century*, so with even greater propriety we may speak of "The Commercial and Industrial Revolutions of the Eighteenth Century." Ask an Oxford student who is being viva'd in Modern Greats, "Who invented the term Industrial Revolution?" and he will reply smartly, "Arnold Toynbee, who got it from Marx." Ask him then what college Toynbee was at, and his face becomes a blank. *Crede experto* (five men and one woman running). "Mercantilisme" is dismissed by Littré as a neologism, but "mercantile" yields the following from Chateaubriand (1834): "Le calcul décimal peut convenir à un peuple mercantile." On this test we are still not advanced to the mercantile state; for to say nothing of not fixing Easter, we cling with rustic fidelity to the farthings of our primitive life (alike in square measure and currency).

I have a letter from Edwin Cannan which runs in part :

Instead of saying "apparently A. S. invented the term," the 2nd impression [of his *Review of Economic Theory*] says "A. S. brought the term MS. into common use by writing his chapter". . . and in line 6 from the bottom it says "adopted" instead of "devised" and a prefatory note says the modifications have been made because "it seems likely that he took it from Quesnay and Mirabeau (see Oncken *Geschichte der National Ökonomie*, p. 335)."

Evidently the subject will stand further investigation, though it doesn't matter much whether A. S. invented or

only induced people to use the term. In either case it shouldn't be used in a totally different and very inconvenient sense.

With this last sentence I stubbornly agree against all comers, and the present chapter is devoted to a justification of the stand.

#### THE THING.

We may distinguish easily and naturally between mercantile theory and the mercantile system. There is no closer connection between the two than between Ricardo's doctrine of comparative costs and the free trade system of nineteenth-century England. Men could practise and profit from the one without comprehending the subtleties of the other. The mercantile system was the system of merchants in opposition to the system of feudal landlordism. We must not say "in opposition to the agricultural system," because no such system ever existed outside the gossamer of physiocracy. In the light of modern times and of countries overseas, we might indeed say "in opposition to the system of the frontier"—the system by which the American seaboard expanded into a continent of United States and by which Czarist Russia and their legitimate successors, the U.S.S.R., sprawled and sprawl from Moscow to Vladivostock. The mercantile system, with its roots in commerce and the sea (by 1700 a merchant of England had ceased to be thought of as an inland trader), rose to glory *pari passu* with the discovery and exploitation of the New World and the ocean route to the Old World. And Adam Smith, as we might guess, makes this his definitive point.

In the meantime one of the principal effects of those discoveries has been to raise the mercantile system to a degree of splendour and glory which it could never otherwise have attained to. It is the object of that system to enrich a great nation rather by trade and manufactures than by improvement and cultivation of land, rather by the industry of the towns than by that of the country. But, in consequence of those discoveries, the commercial towns of Europe, instead of being the manufacturers and carriers for but a very small part of the world (that part of Europe which is washed by the Atlantic Ocean, and the countries which lie round the Baltic and Mediterranean seas), have now become the manufacturers for

the numerous and thriving cultivators of America, and the carriers, and in some respects the manufacturers, too, for almost all the different nations of Asia, Africa and America. Two new worlds have been opened to their industry, each of them much greater and more extensive than the old one, and the market of one of them growing still greater and greater every day.<sup>1</sup>

Characteristically, this crucial definition comes, not in the "Principles of the commercial or mercantile system" (Bk. IV, Ch. I), which is an analysis of mercantile theory, but in the objective historical survey of "Colonies" (Bk. IV, Ch. VII); and with supreme art he thus prepares the way for the crushing indictment of the "Conclusion" (Ch. VIII).

Note, first, what the system was. It was a type of imperial economy, the fruit of that overseas (not over-land) expansion whereby Holland and England, followed tardily by the other great powers and by Germany last of all, reached imperial stature and economic power.

Note, secondly, who, as he sees it, were the pacemakers in the evolution: not the nations of Europe as such, but the commercial towns of Europe. They made the new world tributary to them: or as Mr. Gras would say, they became metropolitan to it.

*Not Italy nor Spain nor France nor Germany, but Holland only, was the commercial schoolmaster of seventeenth-century England*—when the merchant world was heavy with a colonial overgrowth that neither Holland nor England could carry for long. For Holland soon lost Brazil and England the American colonies in 1776. In the sixteenth century Germany was England's schoolmaster—witness the copper mines of Keswick: in the eighteenth century Huguenot France—witness Spitalfields silk, Black Country glass, and Ulster linen. But in the century or less between the death of Elizabeth and the year when Dutch William took the crown of England, Holland was the cynosure of neighbouring eyes and in particular of those of the sea-faring, soil-improving island which lay opposite to her across the North Sea and sailed with the same sea breezes west and south into the ocean.

<sup>1</sup> *Wealth of Nations*, II, 125.

*Not Italy.* Here were towns richer than any in Holland—Amalfi, Pisa, Genoa, Florence, Venice. Here was developed the apparatus of modern commerce, the Arabic notation, double entry book-keeping, bills of exchange, banks, the compass, the mariner's chart. From Genoa came many a brilliant explorer. And yet, lacking a system, Italy earned the saying that she "found everything and founded nothing." It is fashionable to deplore the Navigation Laws, but those who deplore them in imperial England or colonial Holland are asking for Hamlet with Hamlet left out. Even if Italy had been situate where Portugal is, on the fringe of the Atlantic Ocean, the result could not have been very different. For her city states had no unity and no system. They were held to imperial impotence by the disuniting shadow of ancient Rome and the disuniting presence of the medieval papacy. Therefore they never became a nation of trading cities: as Protestant Holland did. For having escaped from the domination of Spain, the Hollanders, in a brief generation, broke through the thin monopoly of Portugal and established a traders' empire in the Further Indies.

*Not Spain.* Spain, of course, was the first colonising power of Europe, first in time and first in bulk. She divided the outer world with Portugal as soon as it was discovered, and was assigned the more colonisable half. But empire was her ruin. For she put religion before business and somnolence before both. Having all the silver, she could not steal it in an age when piracy was the foster mother of trade. She displayed only a colossal power of declining to die; and that was because after conquering the natives she inter-married with them.

*Not France,* but only just not. It was at once the glory and the calamity of France that she sought to be in at everything and yet herself *en tout*; and herself gained the day. In the crises of her national life she sacrificed empire to *réunion*, and went on shedding overseas dominion from Quebec to Mauritius and the East until at last in 1830 she found in Algiers a new pathway of empire, a trans-Mediterranean land empire, which was a sort of imperial reunion, whereof the natives were made citizens of France and represented in

the Parliament of France. This is the empire which Lord Hailey's *African Survey* so successfully misunderstands in its 1662 pages.

*Not Germany.* Germany least of all. I agree, as I have said, with Edwin Cannan that it is a misfortune that the German historical school took hold of the concept of mercantilism and so re-cast it that they provided the fatherland with a place in the mercantile sun. Schmoller's mercantilism not less than Bücher's<sup>1</sup> is an economic bastard. The Germany of the sixteenth, seventeenth, eighteenth and early nineteenth centuries was, quite as much as Italy, outside the mercantile sweep, whether we are thinking of doctrine, policy or system of trade. If Germany was mercantilist, then mercantilism is just economic nationalism, and a good word wasted. Hamburg and Frankfurt had merchants, but these were not the progenitors of modern Germany. On the contrary, they stood out against it. Brandenburg made Prussia, Prussia made Germany, and Hamburg now is vassal to the steel and concrete of Heligoland and Kiel. Nor does the term become any more appropriate to Germany if we put before economic nationalism adjectives such as "aggressive"; for in Europe all economic nationalism has been aggressive. And if we call the Prussian brand of economic aggression mercantilist, we throw dust in our eyes. For Prussia carved her way to empire not by trade, but by administrative capacity and military force.

This is well illustrated by her record in the Pacific. Caesar Godeffroy & Co. in the person of their agent, Theodor Weber (whom R. L. Stevenson dubbed a mixture of Machiavelli and caveman) harried the Samoans of the 1860's, 70's and 80's into a respectful fear of himself and his country.

Weber was in short a master of men, a man whose actions and methods the men on the Pacific fringe, and even the disillusioned natives, could understand and appreciate. He managed them, if not gently, in a way which came within their comprehension. His knowledge of men, brown and white, made him the dominant figure in the Central Pacific, made Germany the economic master of the Pacific in the 70's and

<sup>1</sup> "It found its typical development in the economic policy of Colbert." (K. Bücher, *Industrial Evolution*, p. 136.)



80's, and made German consular interests the most clearly and strongly asserted.<sup>1</sup>

What, then, we need, and what the new interest in Dutch studies assuredly will give us before long, is a history of the mercantile system, as practised by Holland. Mr. J. S. Furnivall, with his mind on a different aspect of the colonial problem, has recently revealed the rich store of knowledge which awaits a Dutch Schmoller.<sup>2</sup>

It is equally undesirable to confuse mercantilism with protectionism, or with that strange thing called by Cunningham "Parliamentary Colbertism." The two things were different, sometimes rival and sometimes complementary. Mercantilism stood for vigorous interloping and keen resentment of those who interloped upon the interlopers, i.e. free-traders. This was Holland's attitude, and England's by conscious imitation. But protectionism is the effort to retain the trade which is naturally yours, to supply with manufactures and merchandise the people who live on your own soil and feed you. It was Colbert's policy for the France of his day, Alexander Hamilton's policy for the new United States, and List's policy, learnt in America, for a renaissant Germany. Protection assumes a hinterland of agriculture and raw materials with which and for which industry can be set up. Doctrinally it rests on the protection of economic infancy. Medieval England had protected herself for this cause against the Italians and Hansards; but after 1588 she was mercantilist, not protectionist. Like Holland, she had no great hinterland. She could only grow great overseas. That meant Empire or permanent exiguity. By contrast, the need of seventeenth-century Germany and eighteenth-century France was peace and order within their ample borders. This they gained by drastic means—the one by absolutism, the other by revolution. But there is next to nothing of the merchant mind in either. There is more to be learnt from the Netherlands than from Germany or even from France concerning the mercantile state and the real purpose of the mercantile system. With mercantile theory it is different. For there can be tons of theory to

<sup>1</sup> S. H. Roberts, *Population Problems in the Pacific*, p. 49.

<sup>2</sup> J. S. Furnivall, *Netherlands India, a Study of Plural Economy* (1939).