

THE
EXPERIENCE
OF
ECONOMIC
GROWTH



Case Studies in Economic History

Edited by

BARRY E. SUPPLE



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Preface

Of all the problems with which economists have wrestled over the last two hundred years, that of the economic development of nations is undoubtedly the most susceptible to historical analysis. But, of course, it is not only economists who have sought growth patterns in the past. Historians, urged on by intellectual curiosity, and the new-found interests of the social sciences as a whole, have also produced a large and growing body of empirical studies of the growth process. It is the modest object of this book to bring together some of these essays for the convenience of students of economic history and economic growth.

There are already in print various collections of readings in the theory of economic growth, as well as of studies of twentieth-century economies. (Some of these are listed in the Selected Bibliography of this work.) But as far as I know there is no previous book of essays in the economic history of development which ranges over a suitable time-span and touches on the past experience of economies which are now industrialized. As far as its use by university students is concerned, it is hoped that this collection will satisfy part of the needs of courses in economic growth which demand some historical perspective and courses in history which are oriented toward development or modern industrialization.

Compiling such a work is a frustrating task. The potential candidates for inclusion are multitudinous with respect to the countries studied, the topics considered, and the level of sophistication attained. The solution adopted here has been to exercise an eclectic choice. In Part II, "International Comparisons and the Lessons of History," will be found comparative studies which attempt to establish overall patterns of economic development—patterns which both delineate and, hopefully, explain the course and structure of historical growth. Parts III and IV are logically concerned with the experience of the pioneer of industrialization, Great Britain, and of the most successful nineteenth-century economy, that of

the United States. Unfortunately, space would not permit a comparably detailed treatment of other examples of successful development, and a virtue was therefore made of a necessity by a highly selective choice of countries and topics for inclusion. In Part V, for example, France is represented by two articles on the possible causes of its relatively poor economic performance in the nineteenth century, and Italy by a discussion which relates it to the problems of modern "dual economies." Since space, and the shortage of available material, did not allow a satisfactory treatment of Germany it was reluctantly decided to omit consideration of that economy entirely. No such collection would be satisfactory, however, without some analysis of the two "latecomers," Russia and Japan (Part VI).

Since comprehensiveness was obviously impossible, the principal aim was to provide examples of historical essays on a limited number of economies, written at various levels of theoretical and historical sophistication. Economists, on reading this book, will therefore find themselves on familiar as well as new ground, while it is hoped that the language of even the most technical study will not be too technical for historians. With the exception of the general essays, the time period is in most cases confined to the generations before 1914—the epoch in which modern industrialization became not only a possibility but an irreversible fact.

Some apology for the length of the editorial introduction (Part I) may be appropriate here. Its object is to provide a broader and more comprehensive framework for the specialist studies which follow. It was felt necessary to discuss the nature of economic history and its relationships with theory, to outline some of the problems which theorists encounter when they study the process of development, and to offer a general survey of economic history and growth as a background to the more detailed essays. Undoubtedly, many students will be able to dispense with a reading of one or more of these sections. In any case, in deference to instructors whose students may use this book, I have avoided as far as possible giving any note of finality to the discussion. This particularly applies to the section on the theoretical approach, which is largely confined to a presentation of some of the topics normally discussed by economists. As a further aid to students, I have prefaced each Part with a brief introduction, and have included a Selected Bibliography of further readings.

My thanks are due to Professor William Letwin of the Massachusetts Institute of Technology, Consulting Editor in Economics for Random House, for his editorial patience, and to my wife and children for their domestic forbearance.

BARRY E. SUPPLE

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PART

· I ·

INTRODUCTION

ECONOMIC HISTORY,

ECONOMIC THEORY,

AND

ECONOMIC GROWTH

In the relatively short space of the last fifteen years the discussion of economic development¹ has provoked an outpouring of analytical and empirical literature which probably exceeds the quantity of writing devoted to any other economic problem in the course of the last two centuries. The principal explanation for this must surely lie in the urgency of the problem under consideration—an urgency reflected in the fact that for the first time an important field of economic theory is receiving international attention. And the near-universality of the discussion has led to its extension not only across national borders, but also across the boundaries dividing such disciplines as history, economics, sociology, anthropology, psychology, political science, and geography. This book is primarily concerned with the first of these, with the historical approach to economic growth, as illustrated in a variety of empirical studies. First, however, it may prove useful to examine, from a more general viewpoint, the nature of economic history's possible contribution

¹ In this introduction the words “development,” “growth,” “expansion,” and “progress” will be used interchangeably. This is for stylistic variety, although it loses something in analytical precision.

to our knowledge of the phenomenon of economic growth—an examination which will also entail some appraisal of economic theory.

In this introduction, the following topics will be briefly considered in turn: the traditional subject matter of economic history; its relations to economic theory; the relevance of the historical experience to the apparently new economic problems of the twentieth century; the various approaches to the study of growth illustrated by the work of economists and historians; and the historical course of economic development up to the twentieth century.

A. THE NATURE AND USES OF ECONOMIC HISTORY

Economic history, considered as a systematic discipline, is relatively young. For, although men have been writing about particular historical aspects of commerce or industry or agriculture for many centuries, it is really only during the last one hundred years that such studies have transcended the mere collection of a limited range of facts. In this period a definite body of knowledge has been brought forth, systematically organized, and subjected to detailed research and analytical testing. As with other disciplines, different topics have engaged the attention of different generations of historians, and old theories and explanations have been constantly replaced by new ones on the basis of fresh information or improved methods of analysis. But the field as a whole has been linked by a general, albeit loose, unity of its subject matter—if not of the methodologies employed in its study.

Defined at its most general level, economic history is the historical study of man's efforts to provide himself with goods and services, of the institutions and relationships which resulted from those efforts, of the changing techniques and outlooks associated with his economic endeavor, and of the results (in social as well as economic terms) of his strivings, or his failure to strive. Clearly, phrased in such a loose manner, the definition includes far more than economic growth as that process is generally understood. It encompasses the study of the medieval manorial system, the nature of changing trade routes, trade union activity, the evolution of economic thought and policy, technology, demography, seasonal fluctuations, marketing, guild organization, income distribution, etc. For, basically, economic history has been concerned with the totality of economic experience, including the degree to which that experience has influenced or been influenced by non-economic phenomena. A consideration of the advantages and disadvantages of what at first sight appears to be a state of advanced academic anarchy will provide some insight into the role of the historical study of growth. But

first it should be appreciated that the subject matter of economic history has not been quite so haphazard as the foregoing definition suggests.

It has been said that each new generation rewrites its own history. And this is as true of economics as of other varieties of history. One striking feature of the progress of economic history (as of theoretical economics) over the last few generations is the extent to which each generation has tended to be preoccupied with specific topics, and the extent to which such topics, although considered in their historical context, have been derived from contemporary problems. In the late nineteenth century, for example, free trade and protectionism, or *laissez-faire* and state control, stood foremost; as, in the United States, did the discussion of the westward movement once the frontier appeared finally closed. In the early twentieth century, with the rise of a politically conscious working class, much attention was devoted to the economic history of labor and trade unions, and to the social costs and consequences for average living standards of the industrial revolution in Great Britain. (This last topic has been revived since 1945 in the light of the new interest in the process of industrialization.) And in the interwar years, particularly during the troubled decade of the 1930's, economic difficulties on both sides of the Atlantic helped turn many historians' minds to the history of price movements, to the study of the performance of particular industries in the past, and, especially, to the history of economic fluctuations and business cycles. This tendency to reorient historical studies has, of course, been even more evident in the years since 1945. For the present generation of economic historians the principal, although by no means the only, topic of intensive study has been the processes and implications of economic development. And, significantly, this is true irrespective of whether their specific field of investigation is medieval Europe, the sixteenth and seventeenth centuries, or particular societies in the last two hundred years.

Of the varying fashions in historical writings, each of which has served as a partial focus of the otherwise bewildering variety of subject matter involved in "economic history," this most recent one is in many ways potentially the most fruitful, because it is, as well, the most inclusive. This is because it serves, or should serve, not so much as a means to limit or restrict the historian's interests, but as a way of posing research questions to, and consequently of ordering and organizing, the enormous mass of facts and topics with which the student has to deal. And, in the historical perspective, there are relatively few topics which do not bear some relation, albeit remote, to growth. For in the last resort economic history, even in its consideration of apparently static

economic and social institutions, has always been directly or indirectly concerned with the economic performance of men and societies.

In the light of the modern interest in economic progress, this situation has both advantages and disadvantages. The advantages derive from the fact that economic history, by virtue of its broad range of interests, has never been restricted to merely one aspect of growth or to one interpretation of what growth is. In the very process of covering an indiscriminate number of particular topics it has investigated a host of economic, technological, demographic, political, social, and ideological subjects, and has thereby ranged over many interrelated areas, all of which may be relevant (in differing degrees) to economic expansion, or to its absence. Moreover, taking a long view of human activity, it has been able to investigate not only the sharp institutional and technological changes and the rapid acceleration of rates of national-income growth and industrialization which the twentieth century identifies with economic development, but also the slow-moving and longer-lasting surges of economic prosperity which individual countries or regions experienced before modern industrialization became a familiar fact. In a sense, therefore, given the modern definitions of the words, historians have been accustomed to dealing with the implications of underdevelopment as well as development.

Yet if these are the advantageous aspects of the variety to be found in the corpus of writing in economic history, they must be set against some serious drawbacks. Notwithstanding the fact that the varying subject matter of the discipline has been *potentially* unified by the interest in the economic performance of different societies, in reality this unity has hardly ever been usefully achieved: historians in the past have often undertaken research of a specialist nature with very little coördination, and without always agreeing on points of reference which should be common to them all. The result has been that many prewar studies in economic history, while individually valuable, do not bear any useful relationship to each other because they were not based upon comparable interests. More specifically, research into subjects which in theory are closely bound up with economic growth (e.g., the nature of business enterprise or agricultural systems) has not always been approached with an explicit regard to the question of growth. And, inevitably, the products of the historian's work are not always relevant to our modern interest in economic progress. This irrelevance is largely due to two reasons: first, historians, quite justifiably, may have been interested in other aspects of economic processes; second, when they *were* interested in growth the methodology and techniques of research which they used sometimes lacked the precision and the consistent

orientation which must accompany any systematic investigation of such an area.

B. ECONOMIC HISTORY AND ECONOMIC THEORY

As it is closely related to the problem of defining economic history, so the question of the proper relationship between theory and history is too complex to be exhaustively considered here. Nevertheless, some of its aspects must necessarily be mentioned. It must be noted that, with shining exceptions, both historians and theorists have frequently been skeptical about the validity of the relationship between their respective disciplines. Some historians have complained that much of theoretical economics is too remote and artificial to be of much use in the study of economic society in the past; that, on the whole, its hypotheses and its analytical concepts are abstractions which bear little resemblance to the real world, or which are too restricted in scope to be used in historical investigations without distorting facts to fit them into preconceived theoretical "models"; and that, by adhering so strictly to *economic* factors and forces, it ignores the varied elements which comprise any "economic" situation, and fails properly to take account of unique and individual cases. Theorists, on the other hand, have not been slow to respond that historians have too often been mere antiquarians, gatherers of miscellaneous facts for their own sakes; that they have been too enamored of special cases and too preoccupied with the apparent uniqueness of events; that they are doomed to produce pedestrian narratives unless they approach their subject matter in a consciously systematic way, asking pertinent questions, excluding extraneous material, and looking for consistent answers; and that, in general, as long as historians do not commence with a theoretical framework history will never be anything more than an interesting but largely useless hobby.

It is tempting to conclude, as we do in so many instances of sharp controversy, that "the truth lies somewhere between the two." Unfortunately, however, the resolution of the argument is not so simple. In fact, *both* sides can be right—and *both* sides can be wrong! This is so because neither all historians nor all theorists have had the same approach to their respective studies. Some theorists have been too fond of clever abstractions and too dependent on arbitrary concepts and models which are void of empirical content and bear little if any relationship to the mutability of historical reality. Equally culpable, some historians have allowed their prejudices against theory to sway their research and writing to the point where they have become mere accumulators of facts and tellers of pointless stories. The real cause of

misunderstanding does not lie in the nature of the subjects themselves, but in a confusion (on both sides) between a "theoretical approach" and particular theories and concepts. The latter can be good or bad, useful or useless; the former is an essential step toward the comprehension even of historical reality. But historians have been too ready to condemn all theory because some theories are patently almost useless in the investigation of the real world; and theorists have been too eager to consider that the particular hypotheses and models with which they are familiar are the only possible theoretical means of undertaking a systematic study of economic phenomena.

The point is that real history does not deal with the discovery and presentation of facts, but with the relationships between particular collections of facts. It may, of course, be concerned with a special case, although even here it will have to rely upon explanation and hypothesis. But it can also be argued that "all history and particularly economic history has to deal mainly not with the special case, but with events and situations which recur, and, recurring, exhibit some similarity of feature—instances which can be grouped together, given a collective label, and treated as a whole."² In such cases a theoretical framework, whether unconsciously or (preferably) consciously employed, is essential. Such a framework should not be an intellectual straitjacket, nor need it necessarily be taken uncritically from the writings of economists. But the historian must have some concepts which will enable him to sort out an otherwise undifferentiated mass of data, must seek some uniformities, and must aim to produce some hypotheses, logically relating various facts and trends, which establish a coherent order among those facts. And if he is dissatisfied with the tools which some economists proffer, then he must amend them or seek others—if necessary of his own making, although it is unlikely that he can ignore all the many fruitful analytical devices already available.

In summary, it would appear that economic history must use *good* economic theory. And, of course, economic theory should strive to seek in history both the basis for and the test of its hypotheses. Unless the historian has some general ideas concerning economic processes he will not even know how to *begin* his researches, for he will not know what he is looking for. And it is a concomitant of this argument that theory and history have the best chance of profitable coöperation when they are both keenly interested in the same problems. There are, therefore, grounds for optimism that in the study of the phenomenon of economic growth, precisely because of the interest it has aroused, both the less abstract theorists and the more systematic historians will benefit by

² Werner Sombart, "Economic Theory and Economic History," *Economic History Review*, II (January, 1929), 18.

a tolerant as well as skeptical borrowing from each other in order to alleviate their respective deficiencies.

C. ECONOMIC HISTORY AND THE TWENTIETH CENTURY

But even if the relationship between economic history and some parts of economic theory were joyously harmonious, that would still not answer important questions concerning the relevance of economic history to modern reality. To what extent can we contribute to our knowledge of present-day economic problems on the basis of our study of the past? How far does history teach really useful lessons? And, particularly, in what respect will understanding the process of economic growth over the last two hundred years equip us to meet and comprehend the problems of development which are unfolding in the second half of the twentieth century? The last question is a sobering one, for it has been argued by some writers that the nature of underdeveloped economies today is so dissimilar from that of the preindustrial stages of the developed lands that the history of the latter's growth can contribute very little to an understanding of the former.

The essence of this particular argument is that the economic and social characteristics of modern backward areas place them in a far worse situation, vis-a-vis potential development, than were nations like the United Kingdom, the United States, France, Germany, or Sweden in the late eighteenth or early nineteenth centuries. At its most pessimistic the argument might run something like the following: With one or two exceptions (Japan and, possibly, Russia), the nations which experienced a significant degree of economic development before the First World War enjoyed important advantages in this respect which are to some extent denied to poor countries today. They were part of a "Western culture," combining an empirical and scientific frame of mind with an ideology which accepted innovation and change, and encouraged both hard work for material ends and the voluntary postponement of present consumption in favor of capital accumulation. Their social and political structures were also favorable to development in that they provided the stability and, to varying extents, the social mobility which encouraged a myriad of voluntary actions tending toward an increased output of goods and services. They had indeed already experienced generations or even centuries of slow but significant expansion which—in terms of capital accumulation, the diffusion of productive techniques, the exploitation of sources of supply and markets, and the rise of a skilled class of entrepreneurs and a temperamentally qualified class of laborers—had effectively prepared them for the tasks and strains of