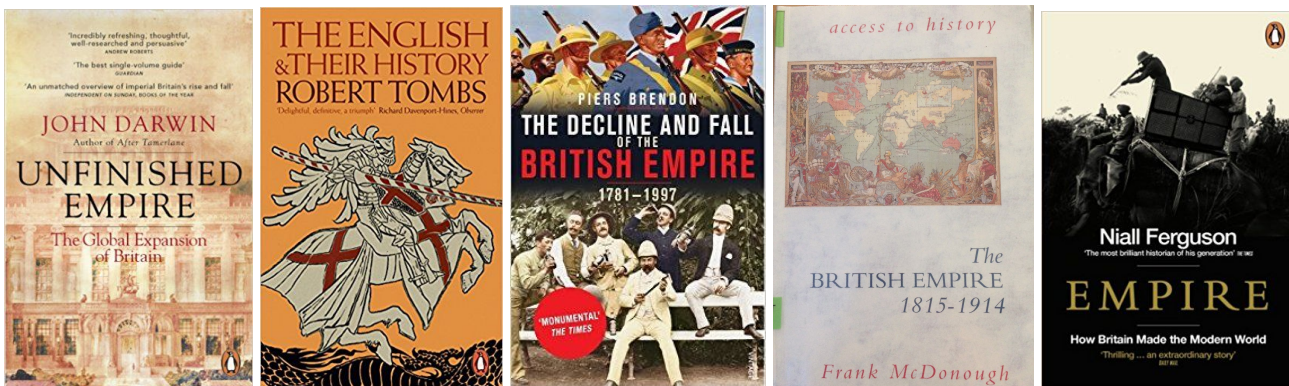


Mercantilism to Free Trade / Historiography

This overview has been compiled by Patrick O'Shaughnessy (@historychappy) using the works below. When quotes are used, they correspond to the relevant colour. The majority of this overview is based on the work by Niall Ferguson.

- John Darwin, *Unfinished Empire*, 2012.
- Robert Tombs, *The English and their History*, 2014.
- Piers Brendon, *The Decline and Fall of the British Empire*, 2008.
- Frank McDonough, *The British Empire 1815-1914*, 1994.
- Niall Ferguson, *Empire*, 2004.



Mercantilism to Free Trade in the British Empire

Background / Context

- **Navigation Act(s) 1660 = "goods shipped to Britain from British possessions should use British ships manned by British sailors."** "The hope of the East India Company was 'that other nations who are in competition with us for the same [business], may not wrest it from us, but that ours may continue and increase, to the diminution of theirs.' It was economics as a zero-sum game - the essence of what came to be called mercantilism." "Navigation Acts were passed in 1651 and 1660 to promote English shipping at the expense of the Dutch merchants who dominated the oceanic trade by insisting that goods from English colonies come in English ships."

- **Initially / at the start of the imperial project** "There was no point in engaging in empire unless it increased British trade. A profitless empire was a contradiction in terms." (This is one argument)
- **Post 1783 (loss of America) & until 1815 (Victory in Napoleonic Wars):** "... the case for freer trade could make little political headway until the new era of peace and apparent stability after 1815."
- "Wherever trade was seen to depend upon state action - by asserting imperial rule, annexing new lands, granting preferences and subsidies, or using military power to force open a market - the question was about to arise: who stood to gain most? Was it the case, as Adam Smith argued, that the trade rules forced colonies to sell their produce in Britain benefited nobody except the mercantile interests that had lobbied ardently for them? If so, then the mercantile system on which the empire was based as simply a means of enriching the few at the expense of the many."
- **(India, Tropical Empire - Taxpayers money spent to annex new regions)** "Here ... the economics of empire were a fraud: the few made a profit while the many were cheated of both social reform (lost in the wave of patriotic emotion) and the genuine prosperity of peaceful free trade. How accurate or otherwise such criticisms were is besides the point. What they reflected was the widespread suspicion that empire and trade were *not* natural partners, and that the use of political power for commercial objectives was always the handiwork of well-connected insiders." (E.G: Indian Nabobs, West-Indian Planters, Johannesburg's gold mine owners, etc)
- **British merchants - trade their number one concern - finding and keeping markets.** "In the mercantilist age before c.1830, he (the British merchant) faced straightforward prohibitions against buying and selling in overseas empires other than Britain's." Spanish Empire, Japan, China, were all closed markets.
- "But as all merchants knew, breaking into new markets and making profits in old ones really depended on the invisible factor in overseas trade. What gave them their edge (and Britain its edge over most trading nations) was the supply of cheap credit. Credit was the lubricant of all their transactions. It was the astonishing abundance of credit in London that made it so cheap and available."

Challenges to Mercantilism

- **Mercantilism:** "By the 1820s and 1830s, it was falling apart." West Indian

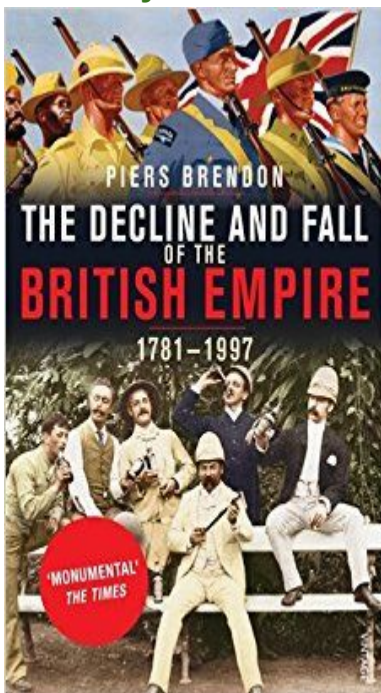
sugar interest - linked to slavery. East India Company - linked to abuses - its commercial monopoly ended in 1813. **"From the 1820s onwards there developed a visionary programme to transform the world by means of free-trade - the closest modern England ever came to a national ideology."**

- Richard Cobden, co-founder of the Anti-Corn Law League was free trades 'prophet'. The aim of free trade, as one children's book put it **" everybody may ... be joined together in love and trade, like one great family; so that we may have no more wicked, terrible battles, such as there used to be long ago."** But, this humanitarian sentiment has been challenged by some as a **"cloak of economic self-interest: Britain had an economic dominance unique in history with a 20-25% of total world trade, 30-40% of world shipping, 38% of world trade in manufactured goods, and 50 per cent of total foreign investment, and so profited from removal of trade barriers."** **"Free trade was unconditionally supported by religious groups, the anti-slavery movement, trade unions, women's associations and peace campaigners. "The dogma was that commercial freedom would inevitably bring about political freedom and international harmony ..."**
- **"The world of 1793-1815 had demolished the empires of Britain's main rivals and opened markets of previously closed colonies. After 1815, the British traded more widely and freely than ever before. The lobby against the protection of imperial trade and against the high level of duties that kept all prices up, grew louder and louder. After 1815, it was much harder to claim that British safety and prosperity depended on special treatment for the colony trade and close regulation of shipping and crews."**
- **"The introduction of free trade grew from changes in the domestic economy, the most important being the enormous lead Britain had gained over other economic rivals in industry, trade, and finance during the first half of the nineteenth century ... In the period 1815-60 Britain was responsible for 60% of the total growth of world manufacturing. In 1850 Britain accounted for 50% of world trade in coal, cotton, and iron. A third of all trade was carried out by British ships. In 1850 Britain's GNP ... was higher than that of China and Russia combined. There were other important developments. The British population grew from 9 million in 1801 to 18 million in 1851 and reached 36 million by 1901 ... The steady expansion of the British economy was achieved with only 2% of the world's total population.**
- **"The first moves came in the 1820s. William Huskisson, President to the Board of Trade (1824-7), allowed foreign countries to trade with colonies, lowered duties on a large number of imports and relaxed shipping**

regulations to allow foreign ships into British and colonial ports. During the 1830s the Whig government continued this general trend of relaxing trade restrictions. Yet it was a Conservative - Sir Robert Peel ... - who made the most dramatic attacks on protectionism. The free trade budgets of 1842 and 1845 reduced duties on a wide range of imported goods. A more remarkable move was the abolition of the protective tariff on imported corn - known as the repeal of the Corn Laws - in 1846. This shattered the confidence of the landowning elite and the unity of the Conservative Party, and led to the fall of Peel. But it failed to halt the march towards free trade. In 1849 the Navigation Acts ... were repealed. In 1852 Benjamin Disraeli, the bitterest critic of Peel in 1846, said that nothing remained of protectionism except 'rags and tatters'. The free trade budgets of William Gladstone in the 1850s and 1860s removed all the remaining tariffs on imported goods. The triumph of free-trade ideas meant that the Old Colonial system was dead."

- "The period 1815 to 1870 is now more broadly viewed by historians as a period when new forms of imperial power, new networks of control and new partnerships between metropole and periphery were being constructed."

- **Key Quote from Piers Brendon.**



now stand alone without overseas appendages. Having become the globe's paramount power after the battles of Trafalgar and Waterloo, Britain was consolidating its position as the workshop of the world. The first and the only industrial nation, it reached the peak of economic pre-eminence in about 1860. Then Britons mined two-thirds of the world's coal and generated a third of its steam. British factories produced a third of all manufactured goods. This included half the iron and half the cotton cloth – it was said that the nation clanged like a huge smithy and that the sound of its mills was like the boom of the Atlantic. A third of the merchant ships plying the seven seas flew the Union Jack and they carried a fifth of all trade. London was the capital of an invisible financial empire, involving banking, insurance, brokerage and investment, which gave it a stake in almost every country on earth. This colossus no longer needed the protection of tariff barriers and colonial monopolies. It would be better served by free trade.

- "Leading figures in government accepted much of the logic of free trade but faced a phalanx of protectionism. Free traders denounced the so-called 'corn laws' as an abuse of power by the landed aristocracy (the politically dominant class) that stood to gain most." Also, restricting cheap food imports prevented manufacturers from reducing wages in line with food prices and discouraged foreign buyers, who might sell grain in return, from buying British goods.
- Economist David Ricardo: 'Comparative Advantage' - Buy what you need from the cheapest seller, while concentrating your labour and capital on that which you do best. Mercantilism undermined this outlook. "The writings of Adam Smith, David Ricardo, James Mill ... laid out the probable benefits of free trade for the British economy."
- "Thus a combination of geopolitics - the break-up of mercantilist empires - and industrialization gradually destroyed the old rules and the beliefs they were built on. It took nevertheless a huge political crisis to clear the way for free trade." (1830s-1840s = Depressed economic conditions - may have feared that the removal of tariffs would result in markets being flooded).
- "Even Robert Peel, the Conservative prime minister of 1841-6, who had defended the corn laws in the election of 1841, acknowledged the need to 're-balance' the interests of farm and factory. But it was the catastrophe of famine in Ireland in 1845 that destroyed the old guard, broke the back of protection, swept the corn laws away and opened the road to almost complete abolition of commercial restrictions in the 1850s. That this coincided (fortuitously) with the great expansion of world trade was the proof to most British opinion that free trade was the secret of British prosperity."
- By c. 1850; West Indies a commercial backwater, while the US was Britain's biggest trading partner. "Its slave South produced the raw cotton that fed Lancashire's mills, the source of Britain's largest and most valuable export up to 1914, cotton cloth." "From the merchants' point of view, the ill feeling aroused by the relics of imperial power in North America, American resentment of the anti-slavery crusade headquartered in Britain, and the lingering rivalry in the Caribbean and Central America, made empire an encumbrance to commerce, not an aid. "
- The British had exchange banks, insurance companies, shippers, shipbrokers, as well as the hardware of railways, harbours, ships and cables. "Above all, the new world economy required the mobilization of

additional capital ... "This was the setting in which London asserted its global supremacy. This was not the London of Whitehall, but the City, the square mile of commerce at the other end of the Strand." **London was the financial hub.** "The City's two poles were the Bank of England and the Stock Exchange ..." "Together they symbolized the huge range of its global activities as the centre of foreign trade, the supplier of credit and the source of foreign investment ... By 1913 perhaps half the world's total of foreign investment had been raised in London."

- " ... the real surge of wealth sprang from its (Britain's) role as the world's greatest emporium. The invisible income from commercial services (shipping, insurance, etc) increased by some 70% between the mid 1880s and 1913 ... British investment abroad doubled from GBP 2 billion to 4 billion between 1900 and 1913 ... To the empire coloured red on the map, the City had added an empire glued together by debt and defended by gold." (gold standard & London's reputation as a trustworthy financial hub)
- "A whole new international banking system spread its tentacles around the world."
- "... the nineteenth century Empire undeniably pioneered free trade, free capital movements and, with the abolition of slavery, free labour."