

History of economics in Great Britain : development outlook after technological revolution the 17th century

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The economic history of the United Kingdom deals with the economic history of England and Great Britain from 1500 to the early 21st century. (For earlier periods see Economy of England in the Middle Ages and Economic history of Scotland).

After becoming one of the most prosperous economic regions in Europe between 1600 and 1700,^[2] Britain led the industrial revolution and dominated the European and world economy during the 19th century. It was the major innovator in machinery such as steam engines (for pumps, factories, railway locomotives and steamships), textile equipment, and tool-making. It invented the railway system and built much of the equipment used by other nations. As well it was a leader in international and domestic banking, entrepreneurship, and trade. It built a global British Empire. After 1840 it abandoned mercantilism and practised "free trade," with no tariffs or quotas or restrictions. The powerful Royal Navy protected its global holdings, while its legal system provided a system for resolving disputes inexpensively.

Between 1870 and 1900, economic output per head of population in Britain and Ireland rose by 500 percent, generating a significant rise in living standards. However, from the late 19th century onwards Britain experienced a *relative* economic decline as other nations such as the United States and Germany caught up. In 1870, Britain's output per head was the second highest in the world after Australia. By 1914, it was fourth highest. In 1950, British output per head was still 30 per cent ahead of the six founder members of the EEC, but within 50 years it had been overtaken by many European and several Asian countries.^[3] The economic history of the United Kingdom deals with the economic history of England and Great Britain from 1500 to the early 21st century.

During the 1500-1700 period many fundamental economic changes occurred, which paved the way to the industrial revolution. Especially after 1600, the North Sea region took over the role of the leading economic centre of Europe from the Mediterranean, which prior to this date, particularly in northern Italy, had been the most highly developed part of Europe. Great Britain, together with the Low Countries, profited more in the long run from the expansion of trade in the Atlantic and Asia than the pioneers of this trade, Spain and Portugal, fundamentally because of the success of the mainly privately owned enterprises in these two Northern countries in contrast to the arguably less successful state-owned economic systems in Iberia.

Following the Black Death in the mid 14th century, and the agricultural depression of the late 15th century, the population began to increase. The export of woollen products

resulted in an economic upturn with products exported to mainland Europe. Henry VII negotiated the favourable Intercursus Magnus treaty in 1496.

The high wages and abundance of available land seen in the late 15th century and early 16th century were temporary. When the population recovered low wages and a land shortage returned. Historians in the early 20th century characterized the economic in terms of general decline, manorial reorganization, and agricultural contraction. Later historians dropped those themes and stressed the transitions between medieval forms and Tudor progress.^[6]

Various inflationary pressures existed; some were due to an influx of New World gold and a rising population. Inflation had a negative effect on the real wealth of most families.^[7] It set the stage for social upheaval with the gap between the rich and poor widening. This was a period of significant change for the majority of the rural population, with manorial lords beginning the process of enclosure.

John Leland left rich descriptions of the local economies he witnessed during his travels 1531 to 1560. He described markets, ports, industries, buildings and transport links. He showed some small towns were expanding, through new commercial and industrial opportunities, especially cloth manufacture. He found other towns in decline, and suggested that investment by entrepreneurs and benefactors had enabled some small towns to prosper.^[8] Taxation was a negative factor in economic growth, since it was imposed, not on consumption, but on capital investments.

The Company of Merchant Adventurers of London brought together London's leading overseas merchants in a regulated company in the early 15th century, in the nature of a guild. Its members' main business was the export of cloth, especially white (undyed) woolen broadcloth. This enabled them to import a large range of foreign goods.

Woolen cloth was the chief export and most important employer after agriculture. The golden era of the Wiltshire woolen industry was in the reign of Henry VIII. In the medieval period, raw wool had been exported, but now England had an industry, based on its 11 million sheep. London and towns purchased wool from dealers, and send it to rural households where family labor turned it into cloth. They washed the wool, carded it and spun it into thread, which was then turned into cloth on a loom. Export merchants, known as Merchant Adventurers, exported woolens into the Netherlands and Germany, as well as other lands. The arrival of Huguenots from France brought in new skills that expanded the industry.^{[14][15][16]}

Government intervention proved a disaster in the early 17th century. A new company convinced Parliament to transfer to them the monopoly held by the old, well-established Company of Merchant Adventurers. Arguing that the export of unfinished cloth was much less profitable than the export of the finished product, the new company got Parliament to ban the export of unfinished cloth. There was massive dislocation marketplace, as large unsold quantities built up, prices fell, and unemployment rose. Worst of all, the Dutch retaliated and refused to import any finished cloth from England. Exports fell by a third. Quickly the ban was lifted, and the Merchant Adventurers got its monopoly back. However, the trade losses became permanent.

The diet depended largely on social class. The rich ate meat --beef, pork, venison-- and white bread, the poor ate coarse dark bread, with a bit of meat perhaps at Christmas. Everyone drank ale--water was often too impure to drink. Fruits and vegetables were

seldom eaten. Rich spices were used by the wealthy to offset the smells of old salted meat. Vegetables and fruits were not popular. The potato was not part of the diet. The rich enjoyed desserts such as pastries, tarts, cakes, and crystallized fruit, and syrup.

Among the rich private hospitality was an important item in the budget. Entertaining a royal party for a few weeks could be ruinous to a nobleman. Inns existed for travellers but restaurants were not known.

Trade and industry flourished in the 16th century, making England more prosperous and improving the standard of living of the upper and middle classes. However, the lower classes did not benefit much and did not always have enough food. As the English population was fed by its own agricultural produce, a series of bad harvests in the 1590s caused widespread distress.

In the 17th century the food supply improved. England had no food crises from 1650 to 1725, a period when France was unusually vulnerable to famines. Historians point out that oat and barley prices in England did not always increase following a failure of the wheat crop, but did do in France.

About one-third of the population lived in poverty, with the wealthy expected to give alms to assist the impotent poor.^[21] Tudor law was harsh on the able-bodied poor i.e., those unable to find work. Those who left their parishes in order to locate work were termed vagabonds and could be subjected to punishments, including whipping and putting at the stocks.

In 1709, Abraham Darby I established a coke-fired blast furnace to produce cast iron, replacing charcoal, although continuing to use blast furnaces. The ensuing availability of inexpensive iron was one of the factors leading to the Industrial Revolution. Toward the end of the 18th century, cast iron began to replace wrought iron for certain purposes, because it was cheaper. Carbon content in iron was not implicated as the reason for the differences in properties of wrought iron, cast iron, and steel until the 18th century.^[35]

In a period loosely dated from the 1770s to the 1820s, Britain experienced an accelerated process of economic change that transformed a largely agrarian economy into the world's first industrial economy. This phenomenon is known as the "industrial revolution", since the changes were far-reaching and permanent throughout many areas of Britain, especially in the developing cities.

Economic, institutional, and social changes were fundamental to the emergence of the industrial revolution. Whereas absolutism remained the normal form of governance through most parts of Europe, in the UK a fundamental power balance was created after the revolutions of 1640 and 1688. The new institutional setup ensured property rights and political safety and thereby supported the emergence of an economically prosperous middle class. Another factor is the change in marriage patterns through this period. Marrying later allowed young people to acquire more education, thereby building up more human capital in the population. These changes enhanced the already relatively developed labor and financial markets, paving the way for the industrial revolution starting in the mid-18th century.

Great Britain provided the legal and cultural foundations that enabled entrepreneurs to pioneer the industrial revolution. Starting in the later part of the 18th century, there began a transition in parts of Great Britain's previously manual labour and draft-animal-

based economy towards machine-based manufacturing. It started with the mechanisation of the textile industries, the development of iron-making techniques and the increased use of refined coal. Trade expansion was enabled by the introduction of canals, improved roads and railways. Factories pulled thousands from low productivity work in agriculture to high productivity urban jobs.

The introduction of steam power fuelled primarily by coal, wider utilisation of water wheels and powered machinery (mainly in textile manufacturing) underpinned the dramatic increases in production capacity. The development of all-metal machine tools in the first two decades of the 19th century facilitated the manufacture of more production machines for manufacturing in other industries. The effects spread throughout Western Europe and North America during the 19th century, eventually affecting most of the world, a process that continues as industrialisation.

According to Max Weber, the foundations of this process of change can be traced back to the Puritan Ethic of the Puritans of the 17th century. This produced modern personalities attuned to innovation and committed to a work ethic, inspiring landed and merchant elites alive to the benefits of modernization, and a system of agriculture able to produce increasingly cheap food supplies. To this must be added the influence of religious nonconformity, which increased literacy and inculcated a "Protestant work ethic" amongst skilled artisans.

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