

## INTRODUCTION

THESE essays are unified in two senses. They all concern the British economy over the period 1790–1914, and they represent aspects of an effort to combine the disciplines of economic theory and history. From the limited perspective of the author this is a collection of exercises in method, a fact reflected in the grouping of its chapters.

The period in British economic history from the end of the War of American Independence to the beginning of the First World War lends itself to unified study, in several respects. In the first place, data are available throughout which permit its treatment in fairly uniform analytic terms. The statistics improve as the century wears on, and the *Economist* is available after 1843. But before that date Tooke, Macpherson, and the *Annual Register*, as well as the parliamentary papers, make it possible to answer, in first approximation at least, many of the economist's questions. The data are sufficient to treat the years of the French wars with a degree of refinement not very much less than is possible for the decade before 1914. It seemed likely that this might be said, as well, of earlier periods in the eighteenth century; although the data have not yet been so fully mobilized.

Secondly, the period is unified by the fact that it contains the era of British industrialization. The seeds of the Industrial Revolution and of Britain's economic primacy can, of course, be traced several centuries behind 1790; but taking as the standard of demarcation not qualitative similarity of historical process, against which virtually no line of demarcation in history holds up, but, rather, the absolute and relative scale of the quantities involved, then the period around 1790 is a satisfactory point of departure for the study of modern industrial Britain.

Third, despite war and the often cataclysmic developments in various parts of the world which transformed the environment of the British economy, its institutional setting was reasonably constant. With occasional exceptions the

principal economic decisions affecting transactions at home and abroad were made by individuals or by private institutions acting on the profit motive. Over this era Britain was a capitalist country, in a fairly whole-hearted way.

These considerations, which give a rough historical unity to the century and a quarter, commend themselves to the economist as well as to the historian. Here is a laboratory for the theorist concerned to test his hypotheses: spacious, varied, and, despite gaps in data, sufficiently documented for the filling, in first approximation at least, of many of the more interesting empty boxes. And the value of that laboratory is not likely to be diminished by the nature of the problems that will concern the economist over, let us say, the next decade in Great Britain or in the United States. It appears possible that the era of planning which confronts us will, in the end, attach a greater premium to the tools of classical economics, and their recent extensions, than the pathological inter-war years. We are back, and if we are reasonably forehanded we can stay, in a time when the assumption of full employment is legitimate, and scarcity is real. We are concerned with productivity, capital formation, and long-run rates of growth, as well as with the prevention of unemployment. To an understanding of the problems of our times a reconsideration of the British and the world economy of the nineteenth century may contribute.

In no sense do these essays constitute a complete history or analysis of the British economy over the years 1790-1914. At the minimum a satisfactory account, in the terms envisaged here, would include a full narrative of the kind illustrated by Chapter IX; a series of essays, like Chapters III and IV, covering each of the five trend periods; and a much expanded and refined consideration of the issues tentatively explored in Chapters I and II. In addition it might well contain an extension of the analysis pursued in Chapter V, to cover the years from 1850 to 1914; and a more systematic analysis of the course of political history than the speculative suggestions of Chapter VI.

The author has participated in the preparation of a detailed study of the early years of this era, 'The Growth and

Fluctuations of the British Economy, 1790-1850', directed by Dr. Arthur D. Gayer. It is hoped that this work will soon be published. It incorporates a narrative, similar in construction to Chapter IX, as well as detailed analytic essays, and a full treatment of available statistical data with the techniques developed at the National Bureau of Economic Research. Chapter V stems from this study, as well as portions of Chapters I and II. The author's unpublished doctoral thesis, 'British Trade Fluctuations, 1868-1896: A Chronicle and a Commentary' (Yale University Library), includes a narrative for the indicated years.<sup>1</sup> From that thesis Chapters III, IV, and IX derive. In 1935-6 a narrative of the period 1896-1914 was written (also unpublished), from which materials entering Chapters I, II, and the Appendix were drawn. These references should not be taken to imply the author's belief that adequate short-period narratives now exist for the British economy over the indicated years; nor is he anxious to stake a claim, as is the occasional custom of Introductions. It seems possible, merely, that knowledge of these manuscripts may be of use to those concerned with the field.

Whether the approach to the materials of history used here is of intrinsic interest is left to the exposition itself, rather than to an explicit excursion on method. From its beginnings in the nineteenth century the modern study of economic history has been accompanied by a virtually continuous counterpoint of methodological discussion and controversy; and in recent years its literature has been fortunately enriched by the inaugural lectures of the professors of economic history at Cambridge, Oxford, and the London School of Economics. It seems proper that this should be so, for the economic historian can evade less easily than his fellows the formal, the philosophical problem of the relation of theory to history. With all its imperfections, and its tendency to shift focus with each generation, economic theory is too useful a corpus of thought wholly to be ignored, either in setting up standards of relevance, for the organiza-

<sup>1</sup> An early version of this study, covering the years 1868-86, is deposited in the Bodleian.

tion of economic data, or in explaining the course of economic events. If theory is not used consciously and explicitly, it enters historical analysis implicitly. All this would now be widely agreed. The task of combining economic theory and history would be regarded as mainly technical rather than philosophical.

These essays represent four distinct applications of theory to history. First is the type of short-period narrative illustrated by Chapter IX. Any attempt to describe, in a coordinate way, the short-period movements of a whole economy is likely to prove clumsy. The economy consists of various related strands: the money market, the long-term capital market, the various industrial and commercial markets, the labour market, &c. If one is to examine each, some form of doubling back in time seems unavoidable. The not wholly satisfactory solution employed in Chapter IX is to take one phase of a general cyclical movement as the chapter unit; to divide the economy into four sectors; to describe successively the course of events within each; and to unite the whole with a general introductory section, and with liberal cross-references. This solution seems superior to a year by year chronicle. But the short-period history of an economy, whatever its virtues, is difficult to present with grace.

Within each section the story is told against a background of basic statistics. The aim of the narrative is to explain the major movements within those statistics, and such other developments of significance which they may fail to reflect. Sharp and occasionally arbitrary judgement is necessary to limit the scale of the narrative; and the aim must be the appropriate illustration, rather than the exhaustive presentation of the evidence.

Theory enters the narrative in several ways. It suggests the structure of narration most likely to yield a whole greater than the sum of its parts; and it supplies standards of relevance by which the evidence can be examined, and selection can be made. In addition, it enters into the explanation of events. But no effort is made to employ theory at a high level of abstraction. The purpose of the narrative is to

mobilize the evidence in such a way as to make it capable of generalization, while presenting the movements within the economy as an essentially unique sequence of events. Such narrative can, by no means, answer in itself the more abstract and general questions which interest the economist; for example, those discussed in Chapters I and II. Nor does it supply an alternative to systematic statistical analyses of the data, such as those developed by the National Bureau of Economic Research. On the other hand it should give to the analyst a suggestive sense of the sequence of events by which the less likely hypotheses of causation can be quickly rejected; and for the statistical analyst such knowledge of the uniqueness of his data is necessary before he can judge the significance of formal measures of deviation from average behaviour. Like any other historical construction the narrative should impart to the investigator of higher abstractions a proper caution.

The section of this volume devoted to Analysis (Chapters I–IV) is written on two distinct levels. Chapters I and II examine trends and cycles over the whole period 1790–1914. The views advanced there are, for the most part, tentative. Much further statistical, historical, and even theoretical work must be done before the questions raised can be answered with any great confidence. It was thought of use, however, to set down in highly compressed form certain hypotheses which appear reasonable. The extreme compression of those chapters may have the advantage of revealing lesions in the data and in the analysis which a more spacious exposition might partially conceal. Chapters III and IV, dealing with the Great Depression period, permit greater detail, but they are addressed to a lesser range of issues.

While the level of theoretical abstraction employed is higher than that used in the narrative, it is usually simple, and occasionally crude. This stems from a conscious judgement; namely, that in historical analysis it is unwise to use theoretical concepts of greater refinement than the data which they are designed to inform. Data can be plentiful indeed, without being susceptible of grouping and refinement

in such a way as to approximate the abstractions theory would suggest as relevant. The coat must be cut to the cloth; although it would by no means be suggested that the data of nineteenth-century Britain have here been mobilized around the issues raised in final and optimum form.

The two essays of Part III (Chapters VII and VIII) require little explanation. In both cases it was felt that an examination of theoretical concepts, in the context of their application to particular familiar events, was likely to illuminate the character of those concepts. Such a process tends to strip from comparative analysis of economic theories difficulties inherent in special definitions.

The concepts used in Chapter V are an outgrowth of various narrative efforts in short-period economic history, and especially of work on the study directed by Dr. Gayer. The larger and more speculative considerations of Chapter VI proceed from a somewhat wider experience. In 1946-7 the author was privileged to teach American history at Oxford. The structure of analysis set out in Chapter VI, though here applied to Britain, was elaborated in the course of lectures on American political life from 1763 to the present; and it seemed to illuminate the political behaviour, at home and abroad, of many nations in the post-war world, as viewed from the Department of State in 1945-6.