1 National economies and the history of the market

Unsurprisingly perhaps, the most comprehensive history of the earlier centuries of British overseas trade, Adam Anderson's *Origin of Commerce*, was first published in the 1760s as the mercantile age was at its height. It was 'To the instrumentality of Commerce *alone*', the author suggested, that 'the Britannic Empire is most peculiarly indebted for its Opulence and Grandeur, its Improvements in Arts and Knowledge; and, in general, for the great Bulk of its solid Comforts and Conveniences'.[1] During the preceding century, trade and navigation came to occupy an unprecedented place in the national esteem. Their progress was reported in numerous tracts and journals as an indicator of national well-being and prosperity, and naval power was equated with national security. It is undeniable that a sense of British national identity was strengthened during the course of the Anglo-French wars of the eighteenth century.[2] But the making of national *character* and a sense of Englishness involved earlier and more subtle processes in which similarity and difference were constantly negotiated and renegotiated.[3] Although far less costly and wasteful of human life, the Anglo-Dutch wars of the 1650s, '60s and '70s involved an equally momentous struggle for maritime supremacy, between people whose religious and social lives were marked by similarity rather than difference. That struggle produced some of the most potent images of a maritime nation, which laid the basis for the English school of eighteenth-century marine painting. Yet the images produced by the van de Veldes, as Dutch immigrants, contain no hint of propaganda, serving to emphasise the importance of admiration, emulation and subtle rivalry in the

[1] A. Anderson, *An Historical and Chronological Deduction of the Origin of Commerce*, 4 vols., 1764, vol. I, p. v. For a discussion of the value of Anderson's treatise, see J. Dorfman, 'An Eighteenth Century Guide Book for Economic Policy', prefaced to the 1967 reprint of the four–volume 1801 edition, A. M. Kelley, New York.

[2] L. Colley, *Britons. Forging the Nation, 1707–1837*, 1992, Introduction.

[3] On the distinction between national character and national identity, see P. Anderson, 'Fernand Braudel and National Indentity', *London Review of Books*, 9 May 1991, pp. 4–8, reprinted in Anderson, *A Zone of Engagement*, 1992.

Illustration 1.1 Unknown artist and engraver, 'Wisdom and Youth', engraved for J. Hanway, *Travels*, 1754.

making of national identity. The period also saw the multiplication of images of the British merchant and his calling. Jonas Hanway's publisher, for example, depicted the merchant and his cargoes at the heart of a prosperous and godly community, for the instruction of Youth, attended by the muse of Wisdom. The gentleman merely dispenses charity, and the husbandman sows, as he has since time immemorial.[4]

For many contemporaries, foreign trade was seen as the prime-mover in the economy, and controlled commercial expansion was closely linked with a growing sense of national identity and assertiveness. The home market, on the other hand, was seriously neglected, although Gregory King estimated its size at four times the volume of imports and exports.[5] Such an outlook, in broad terms, has been described as *mercantilist*. Although modern economic historians have expressed a diversity of views on the subject, the pre-war generations found the concept indispensable and relatively unproblematic. R. H. Tawney, for example, opened his LSE lectures on early modern English history with the statement that 'Trade is the dynamic which sets everything in motion.' Tawney, in fact, explained British economic development in the sixteenth and seventeenth centuries through the maturing of a specifically commercial form of capitalism, and expressed his distaste for it by quoting the early eighteenth-century clergyman–economist, Dean Tucker, who believed that 'to fight for trade is a species of madness reserved only for Britons'.[6] The post-war generation, however, was inclined to downgrade or dismiss the significance and coherence of mercantilist thought, preferring instead to measure and delineate the commodity structures of overseas trade. Relatively little attention was given to either the political context or the global structures within which commercial patterns evolved, and the main preoccupation was to estimate the contribution of overseas trade to the growth of the British economy in the eighteenth and nineteenth centuries.

The growth perspectives of the 1960s viewed commercial expansion as an economic act performed within an essentially Ricardian framework, in which overseas trade was assumed to be inter-*national*.[7] The reality described by Dean Tucker, however, was a more variegated world of nation states in the making, of city states and maritime provinces, and of colonies, plantations and 'remote and marginal worlds' untouched by

[4] J. Hanway, *An Historical Account of the British Trade over the Caspian Sea: with a Journal of Travels from London through Russia into Persia; and back again through Russia, Germany and Holland . . . added, The Revolutions of Persia during the present century*, London, second edn 1754, vol. II, frontispiece.

[5] L. Gomes, *Foreign Trade and the National Economy. Mercantilist and Classical Perspectives*, 1987, pp. 76–7.

[6] British Library of Political and Economic Science: Tawney Papers, Box 5/1, Lectures on Economic History, 1485–1800; D. J. Ormrod, 'R. H. Tawney and the Origins of Capitalism', *History Workshop*, 18 (1984), p. 147.

[7] Kenneth Berrill was one of the few economist–historians to draw attention to the regional basis underlying supposedly 'national' commercial networks in earlier periods: 'International Trade and the Rate of Economic Growth', *EcHR*, 12 (1960), pp. 351–9.

European influence.[8] It was the city states, indeed, which played the leading role in European commercial life before the territorial states rose to prominence in the eighteenth century. Inequality, both political and economic, was thus the starting point of exchange in the early modern world.

Since the mid-1970s, the proponents of a new history of development have attempted to overcome the limited assumptions of orthodox commercial history to take account of disparities of resource endowment and degrees of economic backwardness. Originally set out by Immanuel Wallerstein, and re-interpreted by Fernand Braudel, a new descriptive framework has now emerged by which the expansion of European commerce may be understood in terms of a hierarchy of zones and markets, in which unequal exchange and coercion are acknowledged realities. The three centuries between 1450 and 1750 are seen as the critical period during which the integration of European trade networks incorporated increasing areas of the world into a European world-economy or world system. A world-economy (*economie-monde* or *weltwirtschaft*) should not be confused with *the* world economy as a whole. It refers rather to a fragment of the world, 'an economically autonomous section of the planet able to provide for most of its own needs [with] . . . a certain organic unity'.[9] As Wallerstein explains, the framework is one within which the development of sovereign states or nations can be described merely as one kind of organisational structure among others. It presupposes a single division of labour within an area larger than any one political unit.[10]

It would be misleading to represent the proponents of the new history of development as constituting a unified 'school'. Significant variations in emphasis are apparent between Wallerstein, Braudel and other writers who adopt a world-systems framework.[11] For both Wallerstein and Braudel, the world-economy is conceived in terms of a strong central (or core) zone, a developed middle zone and a vast underdeveloped periphery. In the long run, the core shifts from one part of the system to another, and the system as a whole experiences periods of expansion and contraction. Both share a similar conceptualisation of time, in which historical change occurs within cyclical rather than linear patterns. Here, Wallerstein relies on the Braudellian logistic, derived from Simiand: the

[8] F. Braudel, *Civilisation and Capitalism, 15th–18th Century*, vol. III, *The Perspective of the World* (1979) 1984, p. 441.
[9] Ibid., p. 22.
[10] I. Wallerstein, *The Modern World-System*, vol. I, *Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, 1974, p. 7; I. Wallerstein, 'Failed Transitions or Inevitable Decline of the Leader?' in F. Krantz & P. Hohenberg (eds.), *Failed Transitions to Modern Industrial Society: Renaissance Italy and Seventeenth Century Holland*, Montreal, 1975, p. 76.
[11] P. K. O'Brien, 'European Economic Development: the Contribution of the Periphery', *EcHR*, 35 (1982), p. 2.

long cycle of three centuries, consisting of two phases, one of growth (A) and one of stagnation (B). It is especially during phase B movements that repositioning occurs within the system, and capital is concentrated in the core, as in the period *c.*1620–1750. It is within the spatial dimension, in fact, that the most notable differences arise within the world systems approach.

For Wallerstein, the hierarchy of zones represents a series of analytical categories rather than a number of specific sites and locations, defined by the logic of unequal exchange. He assumes a single, dynamic core area which may, however, be occupied by one or more states or regions.[12] Braudel, on the other hand, stresses the pivotal role of specific leading cities, of 'high-voltage' urban economies which dominated their hinterlands, taking advantage of the backwardness of others. From the early thirteenth century until the rise of Antwerp around 1500, the European world-economy, according to Braudel, was dominated by Bruges and Venice, acting as its northern and southern poles. During Antwerp's brief golden age, the northern zone began to establish its leading position. After the closure of the Scheldt in 1585, however, the system lapsed into a further bi-polar phase as Genoa took up the position of southern pole, while the Low Countries retained something of their former dominance. The role of the leading city essentially involves an uncertain struggle for economic and political control, in which long periods of stability are followed by crisis, and an ensuing process of 'de-centring' and 're-centring'. His *economie-monde* is less monolithic than Wallerstein's, liable to fragment into its constituent elements, the two great circuits of trade or regional economies centring on the Mediterranean and the North Sea.

Around 1600, the balance shifted decisively northwards, as Amsterdam assumed Antwerp's former hegemonic position. This did not merely involve a transfer of activity from Antwerp to Amsterdam, but represented a permanent and massive shift of gravity from southern to north-western Europe, at a time when the European economy as a whole was expanding. Following the provocative suggestion of Violet Barbour, Braudel described Amsterdam as the last of a series of economically dominant cities, which prolonged the old pattern of European history. Like those of Venice and Antwerp, Amsterdam's golden age was one in which 'a veritable empire of trade and credit could be held by a city in her own right, unsustained by the forces of a modern state'.[13] In the succeeding phase, marked by the shift of power to London, the territorial state

[12] I. Wallerstein, *The Modern World System*, II, *Mercantilism and the Consolidation of the European World-Economy, 1600–1750*, 1980, p. 37.
[13] V. Barbour, *Capitalism in Amsterdam in the Seventeenth Century* (1950), Ann Arbor, 1963, p. 13.

and the national economy took on a new significance. Pushing Braudel's logic one stage further, we can characterise the contrast between Amsterdam and London in terms of the emergence of a new kind of entrepôt system: the one a modification of the old city-centred staple system, a central staplemarket; the other, a modern commercial metropolis with an integrated national economy as its hinterland. In this sense, the rise of the British nation state provided the basis and the starting point for a new pattern of economic development.

In Braudel's view then, one or more leading cities dominate the entire network of commercial relations. Development springs partly from the drive to monopolise commercial profits, and partly from the agglomeration of economies, skills and precocious technologies of an urban environment. Wallerstein, in contrast, places much more emphasis on relations between core and periphery as the dynamic of development. The exploitation of the periphery, secured especially through unequal exchange and labour control, is constituted in the 'development of underdevelopment'. In his account of the sixteenth-century *origins* of the modern world system, Wallerstein attaches no special significance to the territory of the nation state, and the core exists as a single zone which may comprise several cities, states and regions. By 1600, that zone is identified as 'firmly located in northwest Europe, that is in Holland and Zeeland; in London, the Home Counties, and East Anglia; and in northern and western France'.[14] In the following decades however, and especially after 1650, economic crisis and demographic stagnation produced more intense forms of economic nationalism, and a major struggle was played out in the core, as Britain and France challenged Dutch hegemony over the world-economy. In the second of Wallerstein's volumes, dealing with the contraction of the European world-economy during the long seventeenth century, much greater emphasis is placed on the nation state and commercial rivalry, the Colbertian *combat perpetuel*. England and the Dutch Republic are seen as two equally-matched nation states, equally capable of devising and implementing effective mercantilist strategies, although, in practice, Dutch strength and productive efficiency were such that only limited forms of state intervention were necessary. This, as we shall see, is a misleading assumption, which neglects important differences in the pattern of state formation, especially those arising from the entanglements of cities and states.[15] It underestimates the extent of intercity rivalries in Holland and greatly exaggerates the strength and effectiveness of the Dutch state.

[14] Wallerstein, *Modern World System*, vol. II, p. 37.
[15] C. Tilly, 'Entanglements of European Cities and States', in C. Tilly & W. P. Blockmans (eds.), *Cities and the Rise of States in Europe, AD 1000–1800*, Boulder, 1994, pp. 1–27.

An even more serious anachronism in Wallerstein's 'world-system' is the supposition that, by 1640, the economies of Europe and its overseas possessions were sufficiently integrated to constitute a 'new European division of labour' based on the flow of resources between core and periphery. The movement of international wheat prices indeed shows a slow but steady integration of northern and southern cereal markets between 1300 and 1650, but trade-flows between Asia, the Americas and Europe were insignificant before the mid seventeenth century.[16] Although intercontinental trade accelerated thereafter, O'Brien, following Bairoch, suggests that commerce with the peripheral areas probably accounted for no more than 4% of Western Europe's GNP by 1800. In terms of capital formation, this is unlikely to have exceeded 1% of GNP. For the Netherlands and Britain, of course, long-distance trade played a more important role, but O'Brien calculates that, even in Britain's case, trade with the periphery generated surpluses which can hardly have financed more than 7% of gross annual investment during the 1780s.[17] This figure represents a slight underestimate, based as it is on the three years immediately following the American War of Independence when transatlantic trade and re-exports remained at abnormally low levels (1784–6). Re-exports at that time amounted to only one-sixth the value of total exports, whereas from 1771 to 1775 for example, the proportion was over one-third.[18] The logic of world-systems theory, however, posits that the primary products of the periphery were indeed purchased cheap, hence the argument is one which cannot be resolved by a national accounts approach, however refined the statistical evidence. As both proponents and critics of world-systems theory have admitted, their differences are of a paradigmatic kind.[19]

Whatever the contribution of mercantile profits to capital accumulation and investment, it is clear that the most palpable benefits of trade with the periphery accrued to the consumer, particularly during the first half of the eighteenth century. From *c.* 1710 to 1735, prices for colonial and Asian goods either stagnated or collapsed. Demand for semi-luxuries such as tea, coffee, sugar, tobacco and Indian textiles was both income- and

[16] S. R. Epstein, *Freedom and Growth. The Rise of States and Markets in Europe, 1300–1750*, 2000, ch. 7.
[17] O'Brien, 'Contribution of the Periphery', p. 17.
[18] Ibid., Table 1, p. 6, excludes the Baltic and Northern European periphery, and selects the years 1784–6, immediately following the end of the American War of Independence when re-exports were abnormally reduced at £3.6mill.; for 1771–5, for example, re-exports averaged £5.75mill. In 1784–6, re-exports amounted to 17% of the value of total exports, whereas from 1772 to 1774, the figure was 34.7%.
[19] A. G. Frank, *Re-Orient: Global Economy in the Asian Age*, Berkeley, Los Angeles, London, 1998, p. 42.

price-elastic, and a wider spectrum of the population was now able to enjoy them. In developmental terms, long-distance trade released Europeans from their own resource endowments, but colonial raw materials and primary products made only a modest contribution to industrial growth, until the rapid expansion of West Indian cotton-wool imports from the mid-1780s.[20] More important than colonial sources of supply were the peripheral and 'semi-peripheral' regions of the Baltic, Eastern Europe, Ireland and Scotland. The contribution of these local peripheries to English economic development is excluded from O'Brien's calculations, but their significance was felt at two levels, as sources of essential 'strategic' imports and, through the pursuit of import substitution policies, as low-cost alternative producers. Baltic flax, hemp, timber and naval stores were paid for by re-exports of plantation goods and Asian textiles to Europe, and the Irish and Scottish linen industries supplied England's growing home market with replacements for more expensive European fabrics.

The world systems perspective is a useful corrective to neo-classical theory, but the measurable economic gains from Europe's colonial and transoceanic trades were smaller than Wallerstein suggests, and the size and weight of the European system in 1750 was only modest in real global terms. Gundar Frank has recently drawn attention to the eurocentricity of Wallerstein and Braudel's models. In a grand polemic which revises his own earlier views, Frank reduces its proportions to an appendage of a much larger Afro-Eurasian world economy, itself the magnet which led to the 'discovery' of the New World and the incorporation of the Americas into the European economy. In spite of appearances, Frank is close to agreeing with O'Brien that Wallerstein's great European division of labour straddling core and periphery needs scaling down. In the chapters which follow, some elements of a Braudellian world systems framework will be retained, including the role of leading cities and a hierarchy of zones in which regional economies were drawn into closer forms of integration within the larger (real) global economy. The assumption that the wealth of the European 'core' countries depended on the resources of a global periphery, however, is rejected, and, with it, Wallerstein's sketch of Anglo-Dutch rivalry as a struggle between two equally strong core states attempting to control those resources. Access to colonial markets was, of course, an important issue for English and Dutch statesmen, but Anglo-Dutch competition was played out primarily in the North Sea – Baltic zone, a region large enough to contain its own periphery. That contest involved industrial competition, a struggle for the carrying trades

[20] O'Brien, 'Contribution of the Periphery', pp. 10–12.

of the region, access to the primary products of the Baltic and Eastern Europe and, for the English, a drive to reduce dependence on the Dutch staplemarket. National rivalries obviously played a critical role in this, but so too did conflict and co-operation between mercantile cities.

Braudel and Wallerstein's European 'world-system' is most properly seen as an intermediate zone within the larger global economy. The North Sea – Baltic economy formed its northern pole, and existed as a distinct regional economy comparable in scale to the trading world of the Mediterranean. Like its southern European counterpart, the North Sea zone contained a highly urbanised core in the Low Countries and southern England, but state formation and city-state relations followed a different course in each case. Whereas in northern and central Italy, territorial states dominated by a single city persisted into the nineteenth century, the Dutch succeeded in creating a durable federation of city-states. In England, a high degree of political centralisation together with weak urban jurisdictions permitted the emergence of a national urban hierarchy at an early stage. As the potential for urban expansion moved steadily northwards during the seventeenth century, a new pattern of large city growth emerged in which London and Amsterdam expanded far beyond the size and weight achieved by the mercantile cities of northern Italy. The relative dynamism of north-western Europe during the B-phase of the growth cycle, it seems, was closely bound up with the concentration of skills, capital, commercial intelligence and external economies in a handful of large mercantile cities, supported by the resources of the state. A number of questions remain, however, about the configuration of urban growth and the role of the state in England and the northern Netherlands. What were the relative positions of London and Amsterdam within their respective urban hierarchies, port systems and hinterlands? How effective was the state in opposing the vested interests of urban oligarchies and in promoting market growth in England and the Republic? How far and in what ways were 'strong core states' able to use taxation as a means of promoting commercial and industrial growth?

Leading cities and their hinterlands

Recent work by Dutch demographic historians has confirmed Braudel's suggestion that, in relation to the towns of the United Provinces, 'Amsterdam stood in the same position as did Venice to those of the *Terraferma*'.[21] Like London, Amsterdam was indeed unique in the

[21] Braudel, *Perspective of the World*, p. 182. In 1600, the population of Venice was 139,000; that of Verona lay within the range 50–60,000, Brescia 40–50,000, Padua 30–40,000,

national urban hierarchy, but was surrounded by several populous towns and small cities in a way that London was not. By 1622, just over half the total population of Holland was urbanised, and during the seventeenth century as a whole, between a quarter and one-third of the Dutch population lived in towns and cities with populations in excess of 10,000 (Table 1.1).[22] By far the greater proportion of these urban dwellers lived in places other than Amsterdam. At the height of the Dutch golden age, the English provinces had nothing to compare with Leiden's population of 67,000, or Haarlem's 38,000, and Rotterdam, Middleburg and Utrecht were all 50% larger than Norwich or Bristol, with populations of around 30,000.[23] Even during the first half of the eighteenth century when the United Provinces experienced urban decline, the proportion of town dwellers remained close to 20% of the total.[24]

In England and Wales during the seventeenth century, a relatively small proportion of the national population lived in urban areas outside London, and not until the first half of the eighteenth century was a significant rise registered in the population of sizeable provincial towns. The tendency in both countries was for the capital city to grow at a disproportionately rapid rate before 1700, as the European economy became increasingly integrated and leading cities extended their functions over a wider hinterland. By the turn of the century, Amsterdam, like London, contained more than 10% of the national population, but Amsterdam's dominance was much less pronounced than London's. Following de Vries, Diederiks emphasises the singularity of Dutch urban history in terms of the absence of a single multi-functional urban centre, noting that, while Amsterdam indeed developed into by far the largest of the Dutch commercial cities, a single metropolis failed to emerge in the northern Netherlands. Instead, the whole western area of the province of post-medieval Holland may be considered as a 'decentralised metropolis'.[25] In Diederiks's view, Amsterdam never functioned as a primate city, or

and Bergamo, 20–30,000 (C. Wilson and G. Parker (eds.), *An Introduction to the Sources of European Economic History, 1500–1800*, 1977, p. 5).

[22] J. A. Faber, H. K. Roessingh, *et al.*, 'Population Changes and Economic Developments in the Netherlands: An Historical Survey', *AAG Bijdragen*, 12 (1965), p. 53; J. de Vries, *European Urbanisation, 1500–1800*, 1984, Appendix 1, pp. 270–87.

[23] Population figures for 1650, assembled by de Vries, *European Urbanisation*.

[24] E. A. Wrigley, 'Urban Growth and Agricultural Change: England and the Continent in the Early Modern Period', *Journal of Interdisciplinary History*, 15 (1985), and reprinted in Wrigley, *People, Cities and Wealth. The Transformation of a Traditional Society*, Oxford, 1987, p. 180.

[25] H. Diederiks, 'The Netherlands, the Case of a Decentralised Metropolis', in E. Aerts and P. Clark (eds.), *Metropolitan Cities and their Hinterlands in Early Modern Europe*, Leuven, 1990, pp. 86–97.