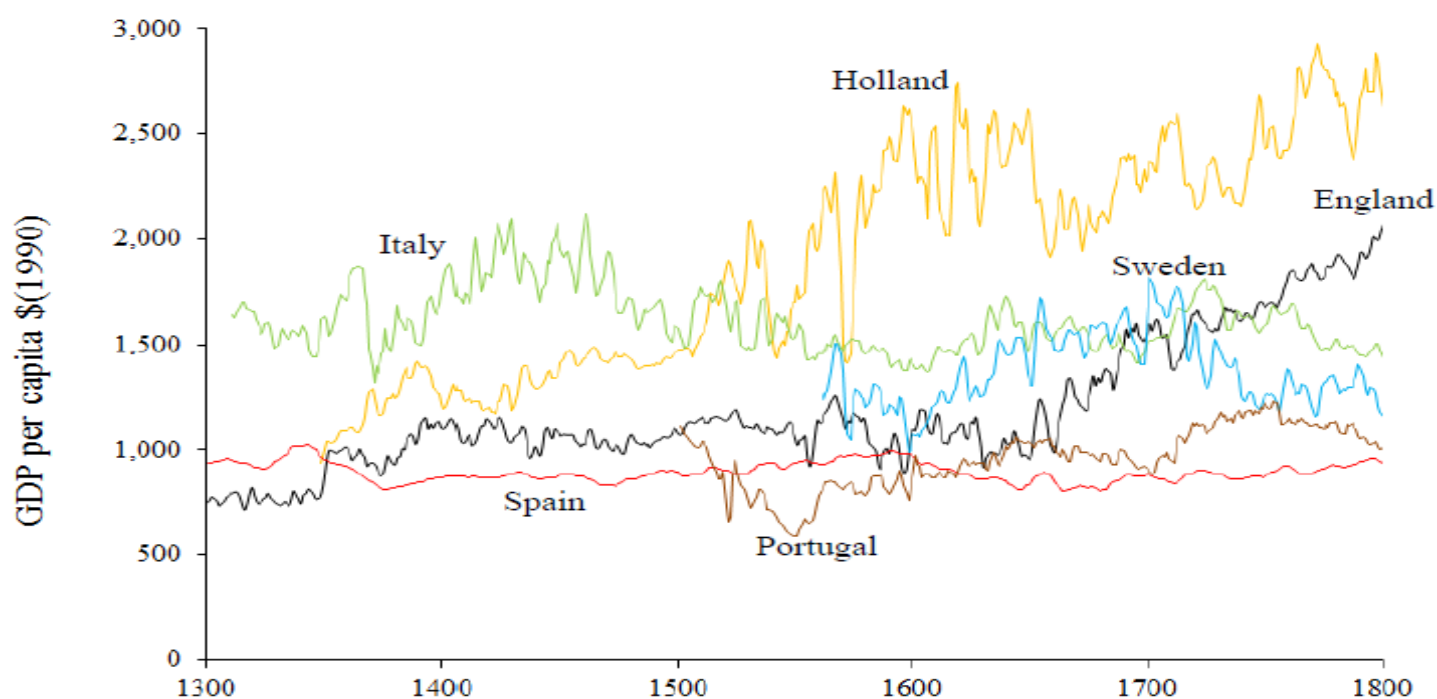


English Exceptionalism

EBH27, LECTURE 4



Sources: England (Broadberry et al. 2011); Italy (Malanima 2011); Holland (van Zanden and van Leeuwen 2012); Sweden (Schön and Krantz 2012); Spain (Alvarez-Nogal and Prados de la Escosura 2013); Portugal: (Reis et al. 2013, Palma and Reis 2014). * 3-year average; Spain: 11-year average.

1. English Labour Productivity



3

English Headstart in Agriculture



English and Dutch farm sector had more stimuli to increase productivity

High wages, higher productivity in other sectors, urbanization and specialization both stimulate and increase higher agrarian productivity

Yet, all these variables (industrial productivity, high wages, specialization and urbanization) are closely intertwined and have reciprocal causality

Can we find some independent variables?

4

Labour Agricultural Productivity (100 = England 1800)

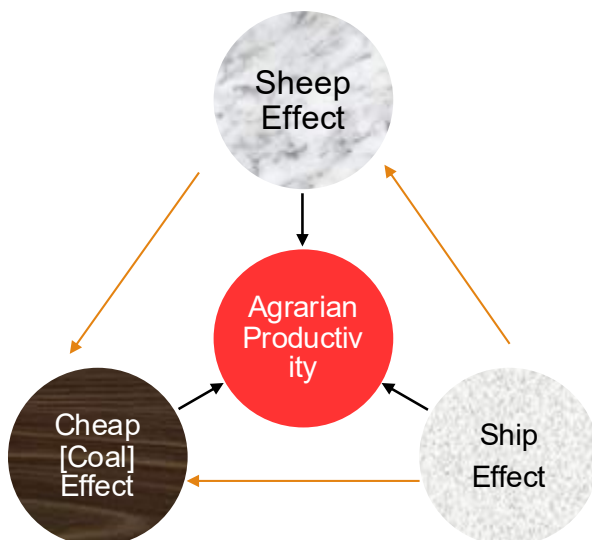
	1600	1700	1750	1800
England	53,1	80,4	107,7	100,0
Belgium	88,1	83,9	85,3	77,6
Holland	74,1	86,7	103,5	100,7
France	50,3	51,7	55,9	58,0
Italy	58,0	56,6	49,0	39,9
Spain	53,1	60,8	55,9	49,0
Germany	39,9	37,8	39,2	46,9
Austria	39,9	51,7	69,9	51,5
Poland	54,5	65,7	65,0	74,8
average	56,7	63,9	70,1	66,4

Fonte: Dennison e Simpson 2010: 150



5

English/British Success



"The success of the British economy [since the 17th cent.] is due to long-haired sheep, cheap coal and (...) rising volumes of international trade"
(Allen, The British Industrial, p. 130)



“Sheep Effect”

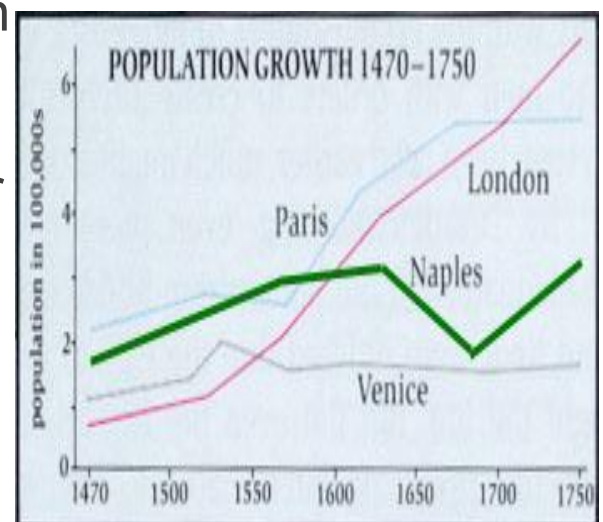
- Saint Thomas Moore, 1516 spoke about the ‘men-eating sheep’
- Ovines all across Europe. Yet, in England:
 - Intense competition between pasture and grain
 - Increase in weight and wool per animal
 - Export-oriented agriculture (supply of Italian and Flemish industries)



7

“Ship Effect”

- Trade-induced population growth of London (major port for Europe and, first, then Atlantic and then Asian trade) pushes for agricultural specialization in the countryside
- Increase in urbanization rate
- Integrated with internal markets with good transport (hence, no Lisbon or Napoli effect)



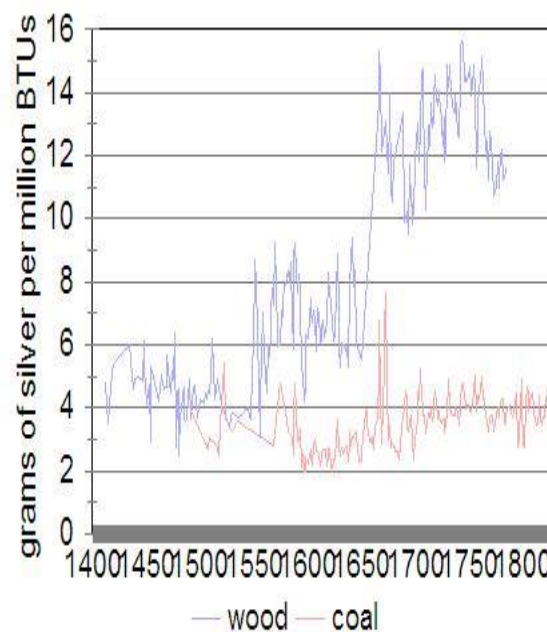
Fonte: millwall-history.org.uk)

8

“Cheap Effect”

- Cheap Effect (or Wrigley Effect or Coal Effect)
- Urbanization increases demand for heating and industry
- Demand leads to the exhaustion of wood and increasing demand for (dirtier, but cheaper) coal in the 'underground forest'
- Adoption of coal saves forest, helping agriculture and urbanization
- Cheap Energy

Real Prices of Wood & Coal in London



Source: Allen (2012), op cit

9

High wages relative to Capital and Energy

RATIO WAGE/INTEREST RATE

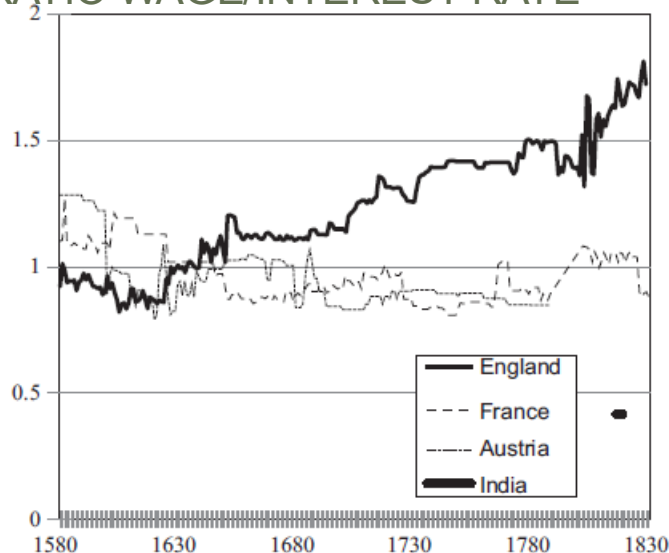


Fig. 4. Wage relative to price of capital.

RATIO WAGE/ENERGY PRICE

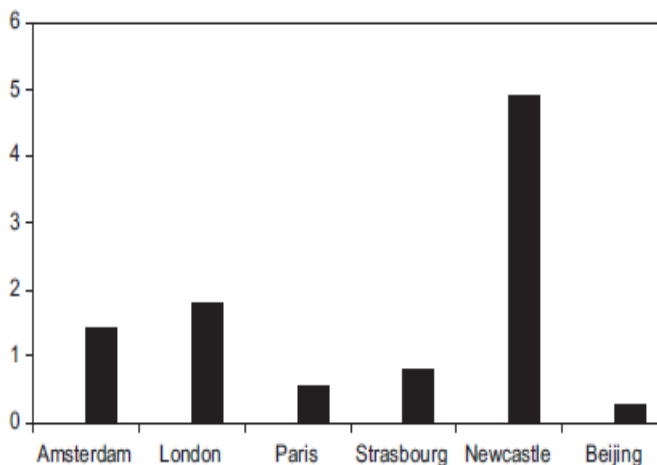
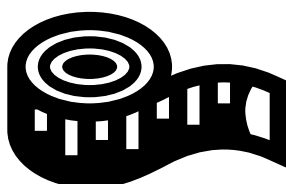


Fig. 6. Price of labour relative to energy.

Fonte: Allen (2012), Backward into the future: The shift to coal and implications for the next energy transition, Energy Policy, 50 (17-23).

2. English Institutions



PIB per capita (em dólares de 1990) na Índia, China e Europa

	1000	1500	1700	1820
India	450	550	550	550
China	450	550	600	600
Europa	425	797	1.028	1.234

Fonte: Maddison Homepage.

China according to A Smith

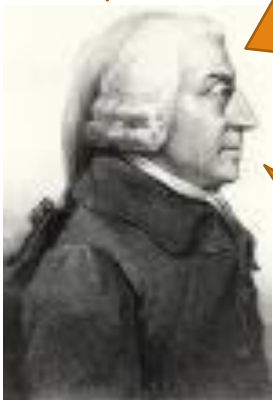
“China has been long one of the richest, that is, one of the most fertile, best cultivated, most industrious, and most populous countries in the world. It seems, however, to have been long stationary. Marco Polo, who visited it more than five hundred years ago, describes its cultivation, industry, and populousness, almost in the same terms in which they are described by travellers in the present times. **It had perhaps, even long before his time, acquired that full complement of riches which the nature of its laws and institutions permits it to acquire.** “

So institutions are obstacle to growth? Is that it?

Sure!

The **natural effort** of every individual to better his own condition [faces] **a hundred impertinent obstructions with which the folly of human laws too often incumbers its operations**; though the effect of these obstructions is always more or less either to encroach upon its freedom, or to diminish its security.

In Great Britain industry is perfectly secure; and though it is far from being perfectly free, it is as free or freer than in any other part of Europe



What should states do?

According to the system of natural liberty, the sovereign has only three duties to attend to:

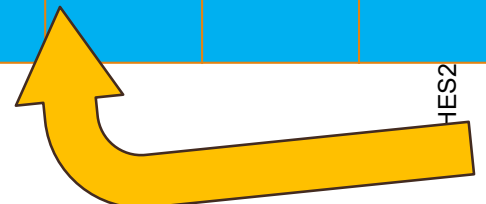
- first, the duty of protecting the society from violence and invasion of other independent societies;
- secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice;
- thirdly, the duty of erecting and maintaining certain public works and certain public institutions which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society.

Western Institutions

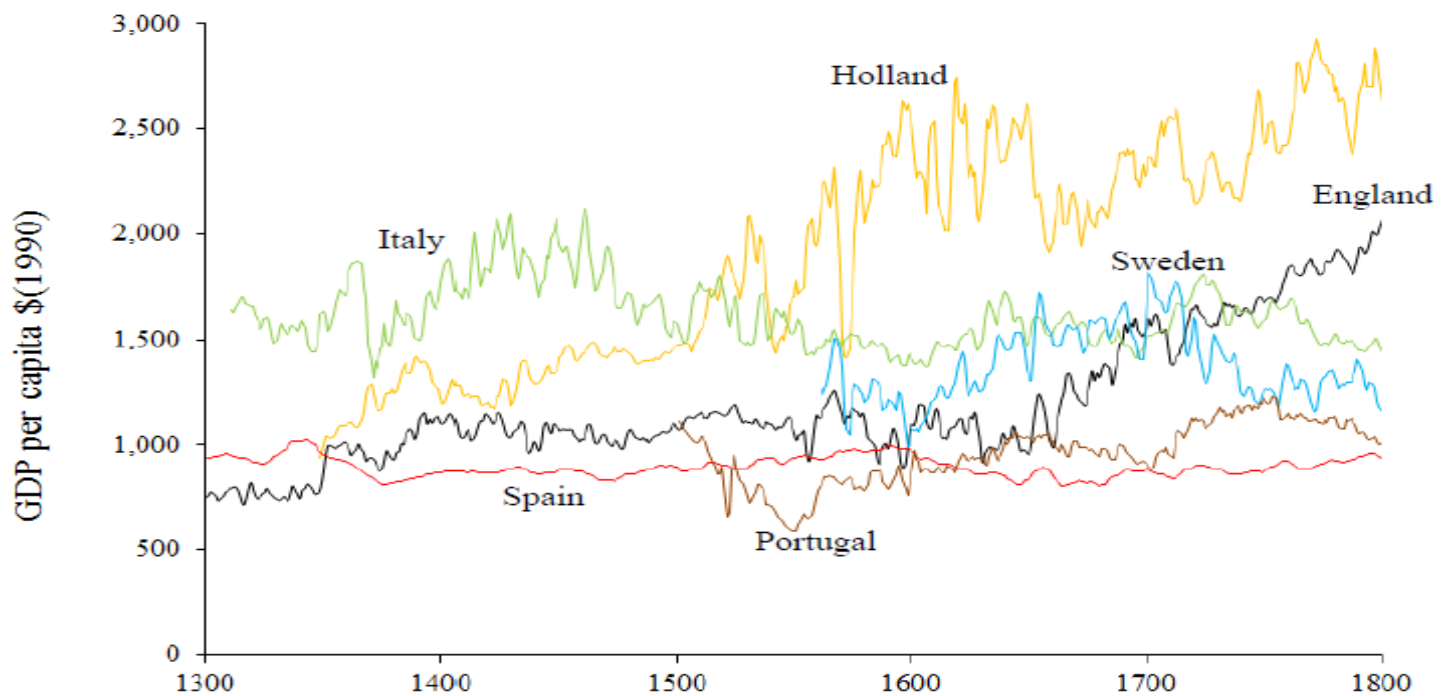
European economies have the same **institutional blueprint**:

- Private Propriety is enshrined by law, even against executive power
- Judicial Power judicial formally independent from executive power
- Executive power limited (by parliament, property right and constitutional principles)
- Also, economic activity was different, under the EMP (European Marriage Pattern)

per capita GDP (in USD 1990) India, China and Europe				
	1000	1500	1700	1820
India	450	550	550	550
China	450	550	600	600
Europe	425	797	1.028	1.234



Institutions



Sources: England (Broadberry et al. 2011); Italy (Malanima 2011); Holland (van Zanden and van Leeuwen 2012); Sweden (Schön and Krantz 2012); Spain (Alvarez-Nogal and Prados de la Escosura 2013); Portugal: (Reis et al. 2013, Palma and Reis 2014). * 3-year average; Spain: 11-year average.

"Old Corruption"

There is the claim that English Parliamentary system was better than absolutism, Yet

- Only 3% of pop voted for Parliament
- Most elections were not competitive (where they were, secret-service funds were often used to manage contests)
- public money flowing to an elite through offices that paid well and required little or no work
- Prime minister's power rested on Crown confidence plus a working majority in the Commons, that had to be gained through royal patronage (household places, Treasury and customs posts, army and navy commissions, church livings, pension)
- Prime minister also had to defend the Interests that mattered: trade, agriculture, and (especially) public debt



The “Continent”

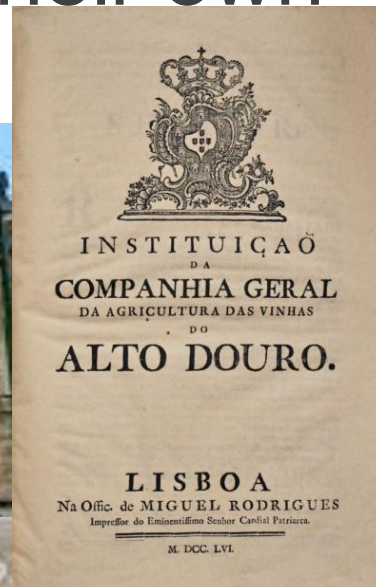


States envisage the “Wealth of Nations”

“Mercantilism” (Power = Wealth)

- Creates monopolies
- Imposes protectionism
- Erects import-replacing industries
- Concentrates and divests private capitals

Mercantilist States concentrate private capitals for their own ventures



What does Adam Smith have to say about this?



It is thus that every system which endeavours, either by extraordinary encouragements to draw towards a particular species of industry a greater share of the capital of the society than what would naturally go to it, or, by extraordinary restraints, force from a particular species of industry some share of the capital which would otherwise be employed in it, is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labour.

What does Adam Smith have to say about this?



All systems either of preference or of restraint, therefore, being thus completely taken away, **the obvious and simple system of natural liberty establishes itself of its own accord**. Every man, as long as he does not violate the laws of **justice**, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. **The sovereign is completely discharged from a duty**, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which **no human wisdom or knowledge could ever be sufficient**; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society.