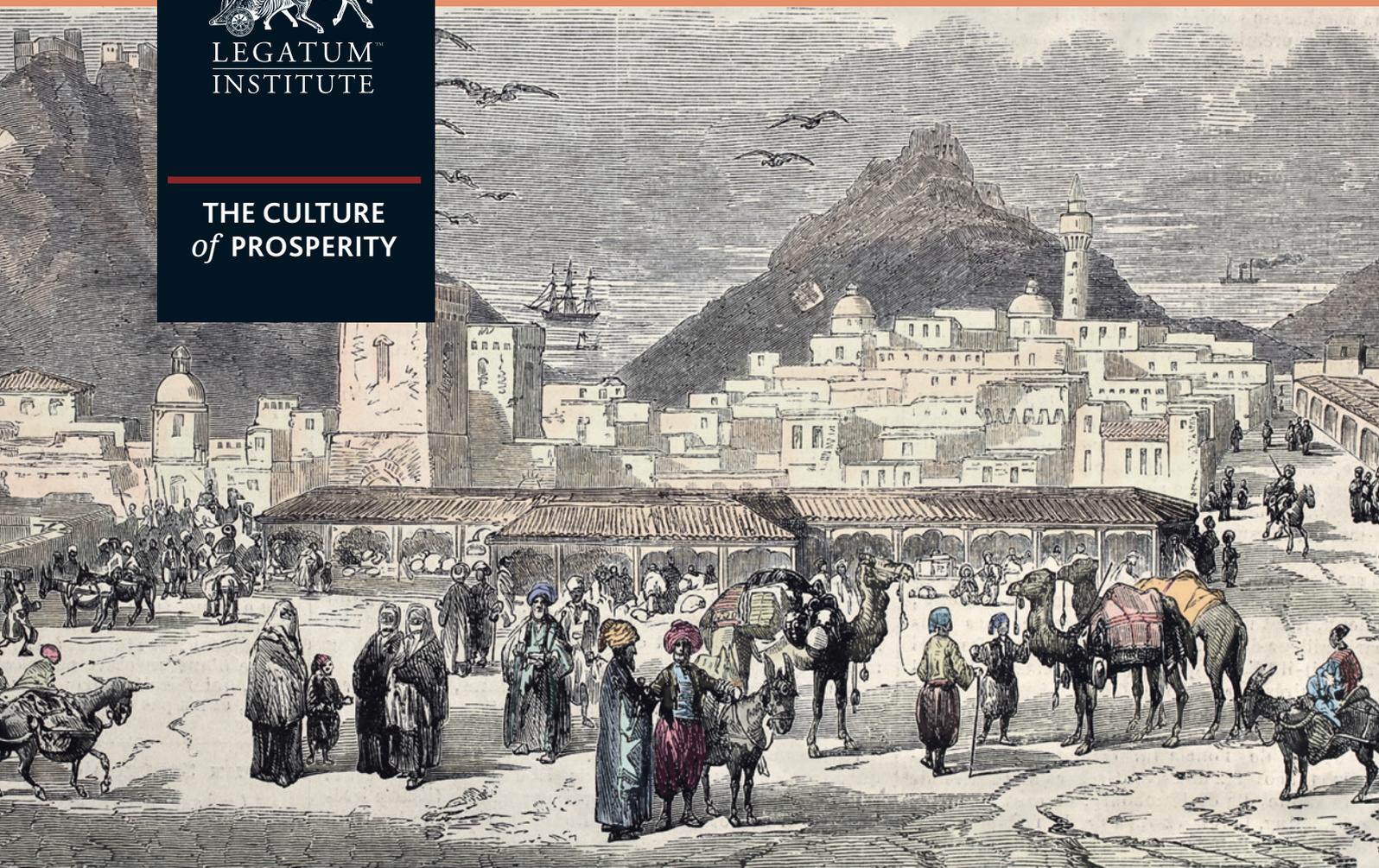




LEGATUM
INSTITUTE

THE CULTURE
of PROSPERITY



THE CULTURE OF PROSPERITY | JANUARY 2016

A World Transformed: Studies in the History of Capitalism

History of Capitalism Volume Two

with an introduction by Hywel Williams

www.li.com
www.prosperity.com

ABOUT THE LEGATUM INSTITUTE

The Legatum Institute is an international think tank and educational charity focused on promoting prosperity. We do this by researching our core themes of revitalising capitalism and democracy. The *Legatum Prosperity Index™*, our signature publication, ranks 142 countries in terms of wealth and wellbeing.

Through research programmes including The Culture of Prosperity, Transitions Forum, and the Economics of Prosperity, the Institute seeks to understand what drives and restrains national success and individual flourishing. The Institute co-publishes with *Foreign Policy* magazine, *Democracy Lab*, whose on-the-ground journalists report on political transitions around the world.

The Legatum Institute is based in London and an independent member of the Legatum Group, a private investment group with a 27 year heritage of global investment in businesses and programmes that promote sustainable human development.

The Culture of Prosperity

The values that motivate individuals, societies, and nations are reflected and encapsulated in the cultural achievements that endure. These are the means by which successive generations have achieved greater self-knowledge and the study of their significance, both in the past and the present, animates 'The Culture of Prosperity'.

History of Capitalism

In the wake of the banking collapse of 2008 capitalism has had to surmount a profound economic crisis while also confronting severe attacks on its code of ethics. This three-year course will investigate the origins and development of a movement of thought and endeavour which has transformed the human condition.

The Legatum Institute would like to thank the Legatum Foundation for their sponsorship and for making this report possible. We are also grateful to Tim Sanderson and Graeme Harrower for their generous support of the Culture of Prosperity programme.

Learn more about the Legatum Foundation at www.legatum.org.

The Legatum Institute is the working name of the Legatum Institute Foundation, a registered charity (number 1140719), and a company limited by guarantee and incorporated in England and Wales (company number 7430903)

Front cover shows:

View of Aden by Adolphe Rouargue after a sketch by Deschiens. Published in *L'Illustration, Journal Universel*, Paris, 1860.

Back cover shows:

Lithograph for the film *Metropolis*, 1927, a German expressionist science fiction film directed by Fritz Lang.



CONTENTS

Introduction	
by Hywel Williams	2
Rome's Economic Revolution	
by Philip Kay	4
Global Trade: The Beginnings	
by David Abulafia	12
Economy and Society: The Dutch Republic in the Seventeenth Century	
by Maarten Prak	22
Bourgeois Dignity: How Ideas, Not Capital or Institutions, Enriched the World	
by Deirdre McCloskey	30
The Age of Plunder: How We Traded Africa	
by Bronwen Everill	38
After the Crash and Before the War: Culture and Society in Europe in the 1930s	
by Philipp Blom	50
Happy Days: Britain's Not So Great Depression	
by Stephen Clarke	54
How Churchill Learned to Love the Free Market	
by Andrew Roberts	60
About the Authors	70

INTRODUCTION

by Hywel Williams



What might the following cast of characters have in common? Marcus Minatius, an Italian banker (*argentarius*) active in the middle decades of the second century BC; Ea-nasir, a merchant who in about the year 1800 BC could be found running an import business in Ur, a city state located in modern-day southern Iraq; the businessman Abraham ben Yiju, who, though settled in Mangalore on India's Malabar Coast by 1132, dreamed of returning to his family home in Tunisia; Rembrandt van Rijn (1606–69); James Brydges (1673–1744), first Duke of Chandos and director of the Royal African Company; Richard Arkwright (1732–92) of Bolton, Lancashire, a barber and wig-maker whose obsessive tinkering with spinning machines led to an alternative career; Dr Frankenstein and his Monster; the Jarrow Marchers; and Winston Leonard Spencer-Churchill (1874–1965).

A reading of the pages that follow will reveal one answer. In the year 2015 these were among the many figures, restored to life by the historian's art, whose significance was studied as part of the Legatum Institute's scrutiny, then in its second year, of capitalism's history. In this collection of essays, based on lectures delivered at the Institute, voices long since stilled by the touch of time speak to the present with a surprising, even disconcerting, directness. The Legatum Institute owes a debt of gratitude, here happily acknowledged, to the historians who contributed to Part II of its lecture series, *The History of Capitalism*. Scholarship, originality, and wit marked the investigations here brought together as *A World Transformed: Studies in the History of Capitalism*.

History's tidal waves—the vast forces of change that rise from the deep and come crashing down on whole societies and nations—are real enough. But students of such far-reaching transformations, when seeking to explain causes and consequences, are too often tempted by abstractions. Some accounts of turning points in the history of economics, for example, pay too little attention to the role of individual human beings, preferring instead to concentrate on the accumulation of data which, plotted along a graph, might indicate a medium- to long-term pattern of socioeconomic behaviour. Such patterns do of course recur. But so, too, do deviations from the norm and, quite often in the history of economics as of other areas of human endeavour, it is the deviation that really matters. An exception to the rule should, at the very least, alert us to the folly of assuming that the general tendency visible on today's graph will be quite as general in the future. The extent of the deviation might also be the measure of wayward, and exemplary, creativity or even, perhaps, of genius in all its singularity. And quite possibly those whose behavioural patterns have been traced to so convenient, and generalising, an effect by the graph might well, having noticed the interesting deviation, resent being subsumed within a category. So salutary a counter-reaction would remind all concerned of the spiritual dignity which is the inalienable birthright of each human individual.

No such reminders need to be issued to the authors of these essays since their themes of transformation are studied in the context of human lives and deeds. Philip Kay shows how the provision of loans to foreign markets by Roman bankers such as Marcus Minatius led to a boom in monetary liquidity and an economic expansion which, being unsustainable, caused a major credit crisis in Rome itself. Both Ea-nasir and Abraham ben Yiju, evoked by David Abulafia, show that globalisation may be a good deal older than anyone has previously supposed. Copper ingots imported from southern Arabia were the basis of Ea-nasir's trade in Ur, centre of the Sumerian civilisation, and ben Yiju operated a huge network of maritime trade which extended from India through Aden and into Sicily. Maarten Prak helps us to place Rembrandt's canvases in the mercantile context of seventeenth-century Amsterdam and shows how the Dutch economic expansion was part of something wider: a national movement and unity of purpose. The importance of that pioneering City of London institution, the Royal African Company, is recaptured in Bronwen Everill's essay. Richard Arkwright is one of an extensive cast of characters whose testimonies, choreographed by Deirdre McCloskey, enable her to conclude that the giant leap forward of the northwest European economy in the seventeenth and eighteenth centuries was the result of a new evaluation of human dignity. Philipp Blom's account of interwar culture shows how the machine age's imagery had left the factory and was now thought to imperil the soul, with Fritz Lang's film *Metropolis* supplying more than an echo of Mary Shelley's original creation. Stephen Clarke provides an account of the seminar whose participants pondered the question of why Britain's economy recovered so quickly after 1932, and Andrew Roberts shows how Winston Churchill, having acquired his pro-capitalist convictions, was a consistent exponent of free-market virtues.

These transformations attained their significance because, far from being limited to the realms of economics and business, they touched the lives of humanity in a myriad ways. Historians of capitalism who capture the subject's true significance therefore require, as is evident in these essays, an ability to draw on more than one discipline. That is a rare gift and may well be why capitalism's history, though the subject of intensive study in many American universities, has yet to win its true place in British ones. The Legatum Institute's History of Capitalism course remains a venture unique, by reason of both its depth and breadth, in the intellectual life of modern Britain.

ROME'S ECONOMIC REVOLUTION

by Philip Kay



From the final decades of the third century BC, Rome was extending her power and influence throughout the Mediterranean. This period was one of expansion. In about 218 BC, Rome controlled peninsular Italy, Sardinia, Corsica, part of Sicily, and some enclaves on the Dalmatian coast. She was about to embark on the Second Punic War against the Carthaginian general Hannibal, who invaded Italy.

The war nearly wiped Rome out, but she defeated Hannibal and survived. A century later her embryonic empire had expanded to include the whole of modern Italy and Sicily, southern France, Spain, and part of North Africa, as well as Greece and the western part of Turkey (the region the Romans called the "province of Asia"). Fifty or so years later, by the mid-first century BC, Rome also controlled the rest of Turkey, Syria, and northern France.

During this period Rome was a republic run by an oligarchy that comprised a small group of magistrates, of whom the most senior were two annually elected consuls, and a senate of 300 members of the Roman elite. This was a highly militarised state: no political candidate could run for even the lowest public office without having served ten campaigns in the army, and in the whole of the second century BC Rome was at peace only for four years.

ROME'S SYSTEM OF MONIES

In 66 BC the Roman orator Cicero delivered a speech, *De imperio Cnaei Pompeii*, arguing that Pompey the Great should be given military command against Mithridates VI, ruler of Pontus, an area on the Black Sea coast of modern Turkey. Cicero reminds his audience of the disaster 22 years earlier, in 88 BC, when the same Mithridates invaded the Roman province of Asia. In one passage Cicero says that the invasion caused the loss of so much Roman money that credit was destroyed at Rome itself:

For then, when very many people lost large fortunes in Asia, we know that there was a collapse of credit at Rome, because repayments were interrupted. It is indeed impossible for many individuals in a single state to lose their property and fortunes without involving still greater numbers in their ruin. Defend the Republic from this danger; and believe me when I tell you—what you see for yourselves—that this credit and this system of monies [*pecuniae*], which operates at Rome in the Forum, is bound up in, and is linked with, those Asian monies [*pecuniae Asiaticae*]; the loss of the one inevitably undermines the other and causes its collapse.



The passage is remarkable in its contemporary tone. Substitute the words “US sub-prime” for the “Asian monies” (*pecuniae Asiaticae*), and “the UK banking system” for “the system of monies, which operates at Rome in the Forum”, and it could have been written about the 2008 credit crisis. What is so striking about Cicero’s text is that it clearly talks about linked financial markets around the Roman world. The financial capital represented by *pecuniae Asiaticae* is linked explicitly to the Forum in Rome.

If we rewind a century and a quarter to the war against Hannibal, it is clear that Rome had also been in severe financial trouble then. The Roman historian Livy says that in 214 bc, in the middle of that war, the treasury was virtually bankrupt—a fact confirmed by the contemporaneous debasement of Rome’s silver coinage and a dramatic fall in the weight of its bronze coinage.

So the interesting question becomes: how did the Romans move from a position in 214 bc, when their economy was on its knees, to one in 88 bc, when their economic interests in Asia were so significant that the invasion of that province by Mithridates caused the credit crisis at Rome of which Cicero speaks?

The undivided Roman empire in its greatest extent.

Source: J Bartholomew c.1888.

A MONETARIST EXPLANATION

The economic history of the late Republic has enjoyed a renewed attention in the past 20 or so years, but this revival has focused mainly on demographic and agricultural questions (two perspectives that have dominated the debate since the nineteenth century). The focus here, however, is monetarist. In the second century BC, increased inflows of bullion combined with an expansion in the availability of credit to produce a massive increase in Rome's money supply. To put it another way, in second-century Rome there was a boom in monetary liquidity. This increase in the supply and availability of money in turn resulted in a major increase in Roman economic activity because it stimulated market developments in areas such as agriculture, trade, construction, and manufacturing. It also resulted, eventually, in the credit crisis of 88 BC.

Monetarist explanations are not uncommon in analyses of the Middle Ages and early modern period. The arrival of vast amounts of gold and silver bullion from the New World is the standard explanation for sixteenth-century Europe's rapid steps towards a more specialised, urban market economy. Between 1500 and 1640 the population of England, for example, more than doubled; and the population living in substantial towns quintupled, driven by the growing economic prospects of the urban centres. In addition, the growth of trade networks led to major changes in the specialisation and commercialisation of agriculture—a development we shall find echoed in the Roman world.

Such explanations of economic behaviour in the ancient world are rare, in large part because of the enormous influence of Moses Finley, Professor of Ancient History at Cambridge in the 1970s, who believed in the primitive nature of the ancient economy. In addition, we face some major problems in analysing the economy of Rome in the second century BC. We do not know the size of the Roman economy at any moment of its history, and the scarcity of numerical evidence in our ancient sources is a big issue. Modern economic analysis makes extensive use of data, mainly produced by governments, industry associations, and corporations, which are collected and subjected to statistical analysis. In ancient Rome there is no evidence to suggest that anyone collected data of this kind. Some figures survive, piecemeal, scattered among the works of narrative historians and antiquarians—mainly occasional cash items such as the amounts of bullion in the Roman state treasury and of war indemnities and booty from defeated enemies. There are occasional references to amounts of expenditure. But even for such financial data as exists, there is sometimes a tendency for ancient authors to stylise monetary valuations into conventional figures.

It is important to realise that the Roman state never borrowed apart from once, as a crisis measure during the war against Hannibal. There was certainly no concept of the regular issuance of government debt and there was no bond market. Unlike the British government, which financed its way through the Napoleonic Wars by issuing large numbers of bonds through the Bank of England, the only way the Roman state could continue to fight its wars was by having enough precious metal coming into the treasury to pay its troops. Since the Roman state did not borrow during this period, its expenditure could never have been greater than the income it received, be it in money or in kind.

During the third century, between 300 and 218 BC, Rome had seized booty, and in some cases war indemnities, from defeated Italian tribes, from Pyrrhus of Epirus, from Hiero of Syracuse, from the Carthaginians, and from the Illyrians. The scale of the booty is unquantifiable, but a plausible estimate puts the total amount of war indemnities paid to Rome by defeated enemies before the war against Hannibal at around 5,000 talents.¹ The Roman state's resources were not enormous, as is demonstrated by the lack of funds in the treasury in 214; this is shown more generally by the fact that, during the third century, Rome minted very limited amounts of silver coinage.

By contrast, during the second century bc, as Roman control and influence expanded through the Mediterranean, vast quantities of bullion came to Rome as war booty and indemnities from most of her defeated enemies, notably Carthage, Macedonia, and Syria. We know that the indemnities alone, received between 200 and 150 bc, totalled over 27,000 talents. Add the value of captured booty, which probably amounted to more than 18,000 talents, and we find that Rome received nearly 46,000 talents of gold and silver from warfare alone over a 50-year period—more than nine times the amount received in the whole of the third century. As the contemporary Greek historian Polybius observed: "There was perhaps a certain logic in appropriating all the gold and silver for themselves; for it was impossible for them to aim at world domination unless they deprived other peoples of such resources and acquired them for themselves." One result of all this was that, in 167 bc, the Roman state suspended the collection of tribute from its own citizens. This was, effectively, a massive tax cut: no tax was levied on the wealth or income of Roman citizens for nearly 500 years thereafter.

Polybius also suggests that by the mid-second century bc significant quantities of bullion—approximately 35 tonnes of silver per annum—were being mined in Spain, a territory captured from the Carthaginians during the war against Hannibal. Independent corroboration of Polybius's report is now provided from an unusual source. From the 1970s onwards, the study of acid rain drew attention to the existence of a strong south-to-north atmospheric transport that carries not only acid emissions northwards from industrial centres in continental Europe and Britain, but also lead and other pollutants. In the early 1990s, analysis of the ice sheet of central Greenland confirmed that the concentration of lead fallout from the atmosphere rose rapidly from the second century bc onwards, reaching a clearly detectable peak at the end of the first century bc. Isotopic analysis of the lead found in these ice cores suggested that as much as 70 percent of this man-made lead pollution might be related to silver-smelting operations in southern Spain, indicating that, at the time of which Polybius was writing, smelting activities related to silver and lead mining in Spain were creating high and rising levels of atmospheric pollution over Greenland and Europe.

AN EXPANDING MONEY SUPPLY

During the second century bc, therefore, the Romans received money and bullion on a scale that dwarfed anything they had obtained previously: the equivalent of 22 tonnes of silver in booty and indemnities alone, and 35 tonnes of silver from the Spanish mines, every year. By the early first century bc, taxation from territories captured during the previous century was producing the equivalent of perhaps 190 tonnes of silver per annum. These vast inflows of bullion effectively turbo-charged the Roman monetary economy, and the coinage element of Rome's money supply expanded rapidly. No mint records survive, but it has been estimated that the supply of Roman silver coins increased by as much as ten times between 157 and 50 bc.

Undoubtedly, some of this coin went into monetising parts of the Roman economy which still operated on the basis of barter. The monetary impact of growth on this scale would normally be either to increase the level of economic activity or to cause prices to rise. However, there is nothing to suggest any significant price inflation for important commodities such as wheat, although there is evidence for more extreme price movements in luxury goods, such as specialist slaves and private houses in Rome itself. The general lack of inflationary pressure is all the more remarkable given that there is also considerable evidence that credit extended by early Roman bankers provided a mechanism for the creation of money beyond the available supply of precious metals, thereby serving to expand Rome's total money supply yet further. As we now know, in any economy that has deposit banks or similar institutions, money supply is not limited to the volume of coinage or cash issued by the central authorities. There is a "money multiplier" effect, by which bank deposits and loans create the substance with which it is possible to buy things without diminishing anyone's assets.

Until very recently, however, most ancient historians tended to follow Finley, who believed that the money supply in the ancient world was essentially inelastic because of its reliance on coin and what he termed “the lack of machinery for credit beyond the lending of coins”. In this view, all Roman money (*pecunia*) consisted of official Roman coinage only. In the last few years, however, a number of scholars have begun to challenge this view, arguing that the term *pecunia* included both coin and credit. Bankers function largely in a world of hidden transactions and confidential dealings, so our knowledge would be limited even without the general scarcity of ancient source material, but we do have sufficient literary material to show that institutions similar to modern deposit banks existed in Rome during the second century bc.

THE ARGENTARII

According to the historian Livy, bankers (*argentarii*) first appeared in Rome about 310 bc. By the second century bc, we begin to find evidence that their activities had become sufficiently widespread to crop up without comment in contemporary literary works. For example, about 40 passages from the comic playwrights Plautus and Terence, writing in the second century bc, refer to banking matters in such a way as to suggest that these activities were considered both by the playwrights and by their audience to be commonplace. From these passages it is clear that bankers conducted their business in the Forum.

A number of passages from Plautus suggest that bankers fulfilled both a deposit and a credit function. In a passage from his play *Curculio*, a character called Lyco, who is himself a banker, says at one point: “I seem to be blessed. I’ve drawn up a little account to work out how much money I have and how much I’ve borrowed. I’m rich, as long as I don’t repay those who I owe. If I do repay my creditors, there’s more around to borrow.” One could go to them to arrange payments because money was deposited with them, as this quotation shows: “If you entrust the bankers with anything, they are out of the forum faster than a hare from its cage door at the games.” Similarly, Polybius relates an episode in the late 160s bc in which a senator, Scipio Aemilianus, has 50 talents—a very large amount of money—on deposit with a banker.

Between the Roman bank and the modern bank there are, of course, striking differences—in technology, in their legal and regulatory positions, and in the scope of their operations. The businesses of the Roman *argentarii*, as far as we can tell, were unincorporated and operated largely by individual proprietors, almost entirely free of government regulation. There was no state or central bank. Yet the ancient evidence and modern banking codes reveal the same necessary essence of a bank to be its generation of revenue through loans funded by outside deposits—“those whom I owe”, as Lyco puts it—which the bank must return.

The existence of a credit market in Rome in the second century bc has important implications. In any economy, good financial markets and appropriate financial institutions help people who have ideas for production or for trade to obtain resources to implement those ideas. Deposit banks are therefore normally part of a healthy market ecology.

Given the critical opprobrium heaped on banks and bankers in recent years, it is important to reiterate that, without these markets and institutions (or if they are impaired), the prospects for economic progress are far more limited. The existence of credit-creation mechanisms in the second century bc would have served to expand Rome’s money supply and thereby encourage an increase in effective demand. A growth in bank lending would have led to an expansion in the volume of commercial transactions and activity, and indeed we find a number of indications in second-century Rome of such an economic expansion for which money was the principal driver. The major catalyst of this expansion was Rome’s defeat of the Syrian king Antiochus III and the huge war indemnity and booty which the Roman commander Manlius Vulso

brought back from Asia in 187 BC. This tradition was still strong two centuries later, as we may infer from the encyclopedist Pliny the Elder: "The Roman people began to spray their cash around in the consulship of Spurius Postumus and Quintus Marcius [186 BC]. So great was the abundance of money."

CAPITAL EXPENDITURE

The Roman state's capital expenditure patterns during the 20 years that followed, in particular the intensity of building activity, appear to correlate closely with what we know about the inflows of revenue into the treasury and the state's financial position. Basilicas, harbours, and retail facilities were built in Rome, and the sewage system was upgraded. The building of two new aqueducts, the Aqua Marcia and the Aqua Tepula, more than doubled Rome's water supply and their construction suggests growing urbanisation. The cost of the Aqua Marcia alone, which was built in the 140s BC and was 94 kilometres long, was 7,500 talents, making it the single most expensive building project undertaken during the Republic.

Construction projects like these would have increased demand for labour and produced a Keynesian multiplier effect, making urban wages attractive relative to rural incomes. Expensive new roads were constructed in Italy and, later in the century, in Macedonia, Spain, and the province of Asia. The creation of a road network, by the military for the military, had the economically beneficial side-effect of allowing commercial traffic to move more efficiently. Roman roads were of a uniformly high technical quality, capable of carrying wheeled vehicles with heavy loads. They promoted economic connectivity and integration because they helped the movement not only of goods and products but also of people, money, information, technology, and ideas. In turn they encouraged urbanisation by making money and markets more accessible. They would have overcome many of the transport constraints that affected most other ancient, medieval, and early modern societies. In fact Roman roads represented a development that was unparalleled anywhere in the world except for China, until the development of the English canal system in the eighteenth century and the arrival of the railways in the nineteenth.

TRADE, THE ENGINE OF GROWTH

Another important engine of growth was trade, as it has been for many other countries at different stages of development. For the ancient world, shipwrecks can supply proxy information for levels of trade. The growing popularity of scuba-diving in the last 60 or so years corresponds to a sharp increase in discoveries of ancient Mediterranean shipwrecks subsequently investigated by archaeologists. Estimates reveal a steep increase in the number of wrecks in the second half of the second century BC (from approximately 60 to almost 100),² and therefore, presumably, in the volume of shipping and cargoes carried.

An overwhelming majority of the shipwrecks found in the western Mediterranean dating from the last two centuries BC carried cargoes that consisted mainly of wine and olive oil amphorae from central Italy, most of which were destined for Spain and France. We can date the "take-off" of this trade in wine and olive oil fairly precisely, thanks to a change in the shape of amphora used to transport the wine, from the so-called Greco-Italic style to a type known as Dressel 1A; this shift took place between about 150 and 130 BC.

The volume of trade increased by something over 250 percent, because there are about two-and-a-half times as many cargoes of Dressel 1A amphorae in wrecks dating from the century after 150 BC as there are cargoes of Greco-Italic amphorae in the preceding century.³ However, data on the number of shipwrecks does not take into account the size of ships. After the invention of the bilge pump, probably in the last

decades of the second century BC, it was possible to build larger ships. Before this, ships carried a maximum of 75 tonnes of cargo, equivalent to about 1,500 wine amphorae. By contrast, the Albenga wreck, which sank around 90 BC off the Italian coast to the west of Genoa, and which is estimated to have been about 500 tonnes, probably carried some 10,000 wine amphorae. Since each amphora contained about 26 litres, the cargo of this vessel must have totalled some 260,000 litres of wine (equivalent to about 350,000 modern wine bottles). These volumes suggest a very high degree of agricultural specialisation in central Italy where the cargo originated.

It is possible that Italy exported other commodities as well. Ancient wrecks are for the most part discovered as a result of mounds formed on the seabed by the ceramic amphorae which formed their cargoes. Wicker baskets and sacks carrying other soft commodities on a ship would have perished, along with their contents, and can no longer be traced.

MONETARY EXPANSION AND LUXURY GOODS

If we look at other periods of history, we can see a direct link between expanding supplies of money and economic activity. I have already mentioned the impact of New World bullion on the economy of sixteenth-century Europe. Another example is the commercial revolution of the thirteenth century AD. Peter Spufford, a monetary historian of medieval Europe, attributes this economic boom to “the link between silver-mining and the development of trade and industry”. Central European silver moved from newly developed mining areas, such as Bohemia, Harz, and Meissen, through Flanders and the Champagne fairs to Italy, and then on to the eastern Mediterranean, and even as far as China. In the other direction came luxury goods: items such as clothing and furnishings from Flanders and Tuscany; pepper and spices from Asia; and silks from Constantinople and China. The increase in demand for luxury goods, backed by the ready availability of large amounts of silver coin, brought about an enormous quantitative change in the volume of international trade.

A similar development in trade with the East seems to have occurred in the late second century BC, when the Aegean island of Delos emerged as a centre of a trans-Mediterranean trade in slaves and luxury goods. The geographer and historian Strabo says that Delos was capable of handling 10,000 slaves per day. Pliny the Elder reports that the island became a production centre for the perfume trade—a point reinforced by archaeological evidence of the existence of perfume factories there. The international scale of the trade based on Delos is demonstrated by inscriptions from the island which show that most of the merchants residing there originated either from Italy or from the eastern Mediterranean, with some of them coming from as far away as the Persian Gulf and southern Yemen.

Strabo identifies the ready availability of finance on the island as one of the main reasons why Delos became the preferred location for the slave and perfume trade. His comment is supported by the inscriptions that mention bankers from Italy and the eastern Mediterranean. The earliest known banker from mainland Italy is Marcus Minatius, who donated a large amount of money to a Delian association of merchants from Beirut about 150 BC. After him came two bankers called Gerillanus, two called Aufidius, and at least three called Fulvius—all of these being Italian names. Finally, towards the end of the second century BC, a group of bankers dedicated a monument bearing this inscription: “the bankers on Delos”.

The economic impact of slavery is worth emphasising. Demographic developments in Italy during this period remain unclear and fiercely disputed, but there is little doubt that the import into Italy of perhaps somewhere between 2 and 4 million slaves over the last two centuries BC, sourced through warfare and

trade, gradually changed the demographic composition of peninsular Italy. This inflow of slaves who, presumably, were living at or close to subsistence, meant that labour input per head of population in mainland Italy would have grown, resulting in increased productivity for the simple reason that enslavement forced victims to work harder at below the market rate for wage labour.

CONCLUSION

We can identify three major developments in the Roman economy ahead of the credit crisis of 88 BC. First, military conquest produced an extraordinary return on investment, as the accumulated surpluses of the Mediterranean and adjacent territories were grabbed by the Romans. This resulted in a boom in monetary liquidity in Rome, driven by large inflows of silver bullion from warfare, from mining, and eventually from provincial taxation, much of which came to be reissued as silver coins.

Second, there is evidence from contemporary authors that Roman bankers created *pecunia*, or “money”, beyond the available supply of precious metals. As the numbers of professional bankers grew and the scale of their lending increased, there would have been an additional and, possibly, profound impact on the size of the Roman money supply.

Third, the boom in monetary liquidity resulted in a major increase in economic activity. It is estimated that real per capita GDP grew by a little over 0.5 percent per annum, which is high by the standards of a pre-industrial economy.⁴ This is evidenced by construction in Rome, by a sharp increase in the number of shipwrecks, by the trade in wine and olive oil to the western Mediterranean, and by the trade in slaves and luxury goods from the eastern Mediterranean. This last development brought increased Roman commercial involvement to the Aegean and to the province of Asia and led to an increase in the geographic extent of the Roman financial system. During the second half of the second century and the early first century BC, bankers expanded their activities eastwards, creating the Asian monies (*pecuniae Asiaticae*)—the loans which Cicero describes as being at the centre of the financial meltdown of 88 BC.

There is an essential similarity between what happened 21 centuries ago and what happened to the UK economy in 2008. A massive increase in monetary liquidity culminated in problems in another country causing a credit crisis at home. In both cases distance and over-optimism obscured the risk. Indeed, the words spoken by “Chuck” Prince, chief executive officer of Citigroup, in July 2007, a year before the crash of 2008, could just as easily have been uttered by a Roman banker of the early first century BC: “When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you’ve got to get up and dance. We’re still dancing.”

REFERENCES

1. A sum equivalent to the total annual pay for one half of an entire legion of Roman soldiers.
2. See A. J. Parker, *Ancient Shipwrecks of the Mediterranean and the Roman Provinces*, BAR International Series 580 (Tempus Reparatum, Oxford, 1992); and A. I. Wilson, “Approaches to quantifying Roman trade”, in A. K. Bowman and A. I. Wilson (eds), *Quantifying the Roman Economy* (Oxford, 2009).
3. *Ibid.*
4. See Philip Kay, *Rome’s Economic Revolution* (Oxford University Press, 2014).

GLOBAL TRADE: THE BEGINNINGS

by David Abulafia



The main argument presented here is a simple one. From the Greco-Roman period onwards, maritime networks linked the Mediterranean to the Indian Ocean and the Indian Ocean to China, funnelling goods in both directions in often astonishing quantities. The scale of this trade, and its continuity over time, casts doubt on Janet Abu-Lughod's contention that a global network came into being during the age of the Pax Mongolica, which saw the revival of the overland Silk Road across Asia. Here I show that the maritime routes were capable of carrying far more, and did so from a much earlier date.¹

This focuses attention on the Indian Ocean and the South China Sea, but it is important to regard those seas as gateways to other seas beyond: the route along the western Pacific to Japan and Korea or the route up the Red Sea to the Mediterranean, which by the end of the Middle Ages was passing prodigious quantities of eastern spices through the Straits of Gibraltar into the Atlantic, all the way to Bruges and up the Baltic towards Riga and Tallinn.

Beyond this relatively simple observation lies an important and difficult question about the impact of a predominantly luxury trade aimed at elite consumers on the economic development of the lands it touched. The various port cities described below owed much or all of their fortune to long-distance traffic, notably the spice trade. These spices were harvested on the islands of the East Indies or along the coast of India and the towns discussed here acted as redistribution centres for what were agricultural products, however expensive and prestigious they had become by the time they had been weighed in countless customs houses, and however often they had been transferred from ship to ship until they reached Venice or Genoa.

There are two gateways that link the Middle East to the Indian Ocean, and they have played a very important role in the trade between further Asia and both the Middle East itself and the Mediterranean beyond: the Red Sea and the Persian Gulf.²

THE PERSIAN GULF AND EA-NASIR, A WEALTHY MERCHANT OF UR

The early history of Persian Gulf trade takes us back to the middle of the third millennium bc. Merchants trading on behalf of temples in what is now Iraq, and later trading on their own account, established a sea-route linking the great Sumerian civilisation of Ur and its neighbours to a mysterious land known as Meluhha, now modern India and Pakistan, and the great civilisation of the Indus Valley. These merchants stopped off in the great emporium of Dilmun, located in modern Bahrain; and they also paid close attention to the mountainous terrain of what is now northern Oman, a source of vast amounts of high-grade copper. Reading



the documents left by Sumerian merchants leaves us with the uncanny feeling that merchant capitalism already existed in 2000 BC. The documents merchants produced before setting out on their journeys were almost indistinguishable in conception from those that might have been produced in thirteenth-century Barcelona or Genoa:

Lu-Mešlamtaē and Nigsisanabsa have borrowed from Ur-Nimmar 2 *minas* of silver, 5 *kur* of sesame oil, 30 garments, for an expedition to Dilmun [modern Bahrain] to buy copper there. On the safe return of the expedition, the creditor will not make a claim for any commercial losses. The debtors have mutually agreed to satisfy Ur-Nimmar with 4 *minas* of copper for each shekel of silver as a just price; this they have sworn before the king.

This contract forms part of the business correspondence of Ea-nasir, a wealthy merchant of Ur. He lived around 1800 BC; his speciality was South Arabian copper, which was delivered in ingots, and he apparently supplied the royal palace. He was surely one of the most prominent businessmen of his day, maybe a little unscrupulous, but looking at his wealth it is impossible not to be impressed: one of his shipments weighed 18.5 tonnes, of which nearly one third belonged to him.

Map of Asia and the Arabian Sea showing distances from London in miles.

Source: *Royal Geographical Readers no. 5*, Nelson & Sons, London, 1883.

Far from being a dry enumeration of imports and exports, Ea-nasir's private archive conjures up the passionate disputes that were bound to arise about the quality of goods and the obligations to fulfil a contract:

Speak to Ea-nasir; thus says Nanni: now when you had come you spoke saying thus: "I will give good ingots to Gimil-Sin"; this you said to me when you had come, but you have not done it; you have offered bad ingots to my messenger, saying: "If you will take it, take it, if you will not take it, go away." Who am I that you are treating me in this manner—treating me with such contempt? And between gentlemen such as we are!" ... Who is there among the Dilmun traders who has acted against me in this way?

THE RED SEA

By and large, though, the Gulf was of secondary importance to the Red Sea as a channel through which spices, perfumes, and precious goods from the Far East reached western Asia and the Mediterranean. The ancient Egyptians had not been greatly interested in long-distance maritime trade. But when the Greeks and Romans took control of Egypt from the fourth century BC, the Indian Ocean became a very attractive source of perfumes and spices in demand at royal courts, as well as gigantic quantities of pepper and other spices, which were taken to Red Sea ports such as Bereniké. Once the Greeks had mastered the monsoons and understood how to exploit these strong winds to cut across the open ocean, it became possible to trade intensively with the west coast of India. Even on the eastern side of India there existed important bases for so-called Roman (really Greco-Egyptian) merchants—notably a place called Arikamedu, corresponding to modern Pondicherry. Indian poetry spoke of the *Yavanas*, or Greeks, who became familiar figures in the ports along the coasts of India.

Which of the two narrow seas was the more important depended on the political convulsions that were taking place within the Middle East. The Red Sea lost and gained primacy during the early Middle Ages, because the rival passageway, the Persian Gulf, also flourished for a while. When in the eighth century the Abbasid dynasty seized control of the Islamic caliphate and established its headquarters in Iraq (eventually at Baghdad), the trade of the Indian Ocean was to a large extent diverted up the Gulf and away from Aden and the Red Sea.

THE SEA-ROUTE: A CHANNEL FOR CULTURAL INFLUENCES

However, significantly, the sea-route, whether it passed Aden bound for Egypt or the Straits of Hormuz bound for Iraq and Iran, remained busy, functioning not just as a channel for fine goods between East and West, but as an open duct along which religious and other cultural influences flowed: Buddhist monks, texts, and artefacts; and Muslim preachers and holy books. Islam was a new arrival, but Buddhism too, intensified its contact and influence in Southeast Asia during the early Middle Ages, becoming increasingly fashionable at courts in India, Ceylon (now Sri Lanka), Malaya, Indonesia, and in China, Korea, and Japan. The crisis of the Roman Empire within the Mediterranean during the fifth to seventh centuries did not fatally damage the networks that had come into being in the days of Pliny the Elder and the *Periplus*. Bereniké faded and the Red Sea temporarily lost its attraction; but the overall sense is of continuity in contact across the seas, even if the market for eastern perfumes and spices in western Europe shrank as Roman power in the West shrivelled away. There was always enough business to keep the merchants of Arabia busy. On the eve of the rise of Islam, the Nabataean traders, famous for their rose-red city of Petra, ably managed trade routes that linked Ayla, corresponding to modern Aqaba and Eilat, to Gaza and the Mediterranean. As well as the sea-route up the Red Sea, caravans bearing myrrh and frankincense followed overland routes northwards through cities such as Mecca and Yathrib, later known as Medina.

THE PERSIAN GULF AND RAMISHT THE MERCHANT OF SIRAF

The rise of the Abbasids had a great impact on the Indian Ocean world of the eighth to tenth centuries. The Persian Gulf re-emerged as a lively passageway bringing goods from the Far East; and in the coastal towns of China, “Persian” (*Pos-su*) merchants became familiar figures (though this was a catch-all term that must have included plenty of Jews, Arabs, and even Indians). Much of the silk and many of the perfumes, precious stones, and spices that reached Baghdad came overland through Persia, beyond which, in Transoxiana and Uzbekistan, lay rich silver mines whose ore was purified and minted as coin in Bukhara. The Silk Road at this period was still flourishing. Other routes led across western Asia towards Scandinavia, taking vast amounts of silver and swatches of Chinese silk through the empire of the White Bulgars³ that of the Jewish Khazars towards the gloomy and frozen lands of the Swedes and their neighbours.

Links to China are clearly shown in a statement by the tenth-century Arab geographer ibn Hawqal. Here he is describing the port of Siraf on the Iranian shore of the Persian Gulf:

Its inhabitants are very rich. I was told that one of them, feeling ill, made his testament; the third part of his fortune, which he had in cash, amounted to a million dinars not counting the capital which he laid out to people who undertook to trade with it on a commission [*commenda*] basis. Then there is Ramisht, whose son Musa I have met in Aden, in the year 539 AH ... I have met 'Ali al-Nili from the countryside of al-Hilla, Ramisht's clerk, and he told me that when he came back from China twenty years before, his merchandise was worth half a million dinars; if that is the wealth of his clerk, what will he himself be worth! It was Ramisht who removed the silver water-spout of the Ka'aba and replaced it with a golden one, and also covered the Ka'aba with Chinese cloth, the value of which cannot be estimated. In short, I have heard of no merchant in our time who has equalled Ramisht in wealth or prestige.

The same Ramisht appears in letters written by Jewish merchants based in Cairo and in India as the fabulously wealthy owner of massive ships—the sort of businessman whose palatial style of life is celebrated in the *Thousand and One Nights*. Sirafi merchants implanted themselves in many corners of the Indian Ocean: some traded to Zanzibar, while the head of the Muslim community at Saimur, near Bombay (Mumbai), was from Siraf. Other Arab writers describe complex maritime routes carrying dhows laden with goods beyond Ceylon to the Spice Islands and (as reported by a ninth-century merchant from Basra named Sulayman) to China itself.

Ramisht lived at a time when Siraf was long past its best. Its high point was in the ninth and tenth centuries, but it was already a lively centre of business soon after AD 700: in the eighth century coins from Iraq, Afghanistan, Persia, and even Spain were buried in a coin hoard. During the excavation of what had been the platform of the Great Mosque, plenty of Tang pottery from the same period was found as well. At its peak, Siraf was rather less than half the size of the circular inner core of Baghdad, so very big given the vastness of the Abbasid capital. Shops and bazaars stretched along the sea-front for a kilometre or more, which was about half the length of the town. Two-storey buildings with paved courtyards were probably the residences of prosperous merchants and officials. One building, said to be larger than Hatfield House, was the palace of someone like the merchant prince Ramisht. The town lay in an unpropitious setting, dry and stony; it was not easy to produce food locally. As a citizen of another city set in a rocky landscape, Dubrovnik, argued several centuries later, the very sterility of the surrounding countryside made trade an imperative.

A GLOBAL TRADE NETWORK

While it would be a mistake to underestimate the importance of the Persian Gulf in the eleventh and twelfth centuries, changes further west stimulated the revival of Red Sea commerce from the tenth century onwards. The Abbasid Empire began to fragment; the greatest challenge came from the rise to power of the Shi'ite Fatimid dynasty, first in Tunisia, where they founded the city of Qayrawan, "the caravan", with its Great Mosque, and then in Cairo, where they were able to compete for domination over the Levant. Partly as a result of these political changes, the Mediterranean began to reawaken, a reawakening further stimulated by the emergence of Christian trading republics. Amalfi and Venice, then Pisa and Genoa, eagerly bought the spices of the East and passed them across the sea to Europe, and then along land and river routes as far as Flanders, Germany, and England.

All these developments had major repercussions in the Indian Ocean from about 850 to 1220, via a sea-route that led all the way from the Nile to Indonesia and China. This period saw significant changes, notably in the role of Egypt, in the great network that stretched from China to Alexandria. It is not an exaggeration to describe this as a global trade network. It was the creation of vigorous, prosperous, and continuous links between the great centres of civilisation of the period—between the greatest cities in the world (bearing in mind that the Americas were a world apart).

Japan, China, India, the Islamic world, Byzantium, and the medieval West were actually linked together, even though the extreme ends of this chain interacted very little with one another. Joining these areas together was the great maritime highway that stretched across the Indian Ocean and into the South China Sea; and along this route passed merchants and missionaries, pilgrims and migrants, of many religions and ethnic origins, carrying goods, both common and rare, through the customs houses of many different kingdoms that greatly enriched themselves from the trade.

FROM EGYPT: THE GENIZAH DOCUMENTS AND THE JEWS OF FUSTAT

As Persia and Mesopotamia lost their primacy, the old Greco-Roman routes down the other coast of Arabia were reborn and the Red Sea revival is plain from the archaeological record along its shores. From the late ninth century onwards, sherds of Chinese celadons and white porcelain appear in excavations as far north as Ayla. Gold-mining in Sudan began to produce handsome returns. Egyptian emeralds were exported in the direction of southern India, and from there were traded by Tamils towards Sumatra and beyond. Further afield, Chinese ceramics arrived in Cairo.

Much of what we know comes from the mountain of papers, or rather fragments of paper, that make up the Cairo Genizah documents: a giant rubbish basket of material, a random assortment of documents thrown away because no one could be bothered to sort out those that might contain the divine name (and thus need to be preserved with reverence, or buried if too dilapidated). The documents include merchant letters, pages of account books, rabbinic decisions (*responsa*), and magical, medical, and of course religious texts; they shed a brilliant light on the daily life of Jews and also Muslims in Egypt between the tenth and twelfth centuries. In particular, the documents expose the business affairs of Egyptian Jewish merchants who traded westwards into the Mediterranean, particularly towards Tunisia and Sicily, but who also had very substantial trading interests in the Red Sea and the Indian Ocean up to the late twelfth century. The Red Sea and Indian Ocean trade became increasingly important during the twelfth century, in response to growing demand within the Mediterranean for exotic eastern products used as food flavourings, dye-stuffs, and medicines.

There is a flip side to this argument: the increasing dominance of the Genoese, Pisans, and Venetians in the spice trade linking the Levant to Europe, and the success of their navies in dominating the Mediterranean sea-routes, prompted the Genizah merchants to look with greater interest at the opportunities offered by the Red Sea and the route bringing goods from India, where some of them even installed themselves for a while. The letters left by these merchants trading towards Aden and India give an intimate portrait that goes beyond their account books and reveals their daily life, their contacts with Muslim and Hindu merchants, and the trials and tribulations of those seeking to bring goods over what were for those times vast distances.

THE SHEIKH OF QUSAYR AL-QADIM

Studies of these records have transformed knowledge of the India trade and have shown how discarded letters, discovered in a synagogue store-room and thought to be of no value, can in fact shed more light on the conduct of trade than official documents. But this material, though quite plentiful, is not unique. No one can say whether the family ties that bound together Jewish trading families from Sicily, Tunisia, Egypt, and Yemen were replicated among Muslim trading families: probably not. That is why it was so exciting when the excavators of the so-called Shaykh's House at Qusayr al-Qadim on the Red Sea found the remains of about 150 documents, which had mostly been torn to shreds but could nonetheless be reconstructed. Qusayr was a vital link in the chain connecting the Indian Ocean and the Red Sea to the Nile and the Mediterranean. It lay at the closest point to the Nile of any of the Red Sea ports. One constraint on its growth was the lack of good-quality water; in the nineteenth century, drinking water was brought from a well six miles away, but the water stank of sulphur, while another spring in the area produced saline water laced with phosphorus, which was barely good enough for animals. Ships that arrived in Qusayr would sometimes be taken to pieces and carried on the backs of camels across the desert to the Nile city of Qus, where they would be reassembled and refloated for the journey down-river. As was the case in the age of the Ptolemies and under the Roman emperors, the Nile functioned in part as an extension of the Red Sea, the vital link not just to Islamic Cairo but to ancient and medieval Alexandria and the Mediterranean.

The Qusayr documents reveal the business affairs of an early thirteenth-century Muslim merchant (the sheikh). The letters from Qusayr al-Qadim fill out our picture of trade in the region by shifting the emphasis away from the spices and fine goods enumerated in the Genizah documents towards humbler but more vital products such as wheat, chickpeas, beans, dates, oil, and rice—the staples of daily existence. The quantities mentioned were considerable: as much as three tonnes in one document, which was enough to feed four or five households for an entire year.

Physical remains from Qusayr confirm the passage through the little town of a great variety of foods brought from all around the Indian Ocean. Some tubers of taro, a southeast Asian vegetable, have been found there, along with coconut shells, as well as citron, the large lemon-shaped citrus fruit much in demand in Jewish communities for use during the rituals of the Feast of Tabernacles. Dates, almonds, water-melons, pistachios, cardamom, black pepper, rice, and aubergine all appear among the finds. All told, the sheikh's business was much more humdrum than that of the best-connected Genizah merchants. The sheikh ran something grander than the Qusayr General Stores, but his interests were very eclectic, and it can be deduced that he was one of the town's main provisioners, whether in food (especially grain) or in what would have been called fancy goods in the nineteenth century. He was well versed in the commercial practices of his day, offering credit and arranging transfers, which avoided the need to handle cash.

The fascination of the Qusayr letters derives from their sheer ordinariness. The sheikh was a wealthy man, at least by the standards of his small, hot, dust-blown town, and the grand trade routes that linked Aydhab

and Qusayr to the Far East were not his real concern. Those routes produced great profits for some people, but they had to be serviced, and Qusayr was a convenient service station. It was not a place of high culture, but eastern influences seeped into Qusayr. One influence from China was block-printing. A few Arabic texts have been found in Qusayr, printed from a carved wooden block, rather as Chinese printed texts were created in this period. It has even been hazarded that blocks used for printing were made in China; texts were then printed off there and exported to Middle Eastern consumers. These printed texts were used as amulets: "he who wrote this amulet, and he who carries it, will stay safe and sound." These amulets may seem banal: praying to stay safe and sound was a natural reaction to the perils of the open sea. Yet they are a reminder that the account books of the sheikh, or of the Genizah merchants, only tell part of a human story of worries about how to survive in a maritime world full of danger from storms, reefs, pirates, and capricious rulers.

VIA ADEN: AT THE CENTRE OF GLOBAL EXCHANGE

Heading down from Aydhah and Qusayr al-Qadim, the straits linking the Red Sea to the Indian Ocean (the Bab al-Mandab) were of crucial strategic importance. Just beyond the straits, ships entered a small gulf that debouches into the Indian Ocean. There the major centre of exchange was Aden, a thriving town sunk in the crater of an extinct volcano that was well situated to watch comings and goings through the straits. Aden possessed its own resources, which were in part derived from the sea and the coastline: salt, fish, and the highly prized whale product ambergris, which was occasionally washed up on the shore and was used in the production of perfume. Aden was also a base from which the Cairo merchants sent letters eastwards to India, with information about the state of the pepper market—anticipating where prices would be most profitable was fundamental to their business practice. Water, however, was in short supply, and an ingenious feat of engineering exploited the fact that the town lay within a crater by channelling water that had fallen on higher ground into a series of cisterns. There were even filters that removed some of the impurities from the water as it flowed downwards. The overall picture, then, is not vastly dissimilar from that of Siraf.

Aden flourished as a centre of trade precisely because local resources were rather meagre; and it was very well placed to supervise not only the traffic heading out of the Red Sea towards India, but also ships sailing down along the coast of East Africa. Aden's rulers were well aware that it was the jewel in their crown. There were eagle-eyed customs officers who prodded and probed the merchandise that passed through the government checkpoint, or *furda*. Detailed records were kept as every piece of cloth was patiently counted in front of the no doubt impatient merchants. This serves as a reminder that the high cost of spices was less the result of rarity, or even the long voyage that brought them to Aden and Alexandria, than it was the result of a sequence of payments to one government after another, not to mention bribes and sweeteners. It would be interesting to know how much smuggling took place, but Aden looks as if it was the sort of walled and well-guarded city where such activity was well-nigh impossible.

Jews, Christians, and other non-Muslims were supposed to pay twice the taxes of the faithful, but there is no evidence they did so, except briefly. From the *furda*, one door gave on to the harbour front and the other on to the city streets with their multi-storied merchant houses built of stone. The most desirable houses stood near the sea, so benefiting from cooling breezes that were unlikely to reach the lower depths of the crater. The general impression is of communities of diverse origins living peacefully side by side, though there was a difficult moment at the end of the twelfth century when the Jews were ordered to convert to Islam.

The sailing season out of Aden was well co-ordinated with that of the Mediterranean. Ships set out for India at the start of autumn, giving time for goods that were being carried down the Red Sea from as far away as Sicily, Tunisia, and Spain to reach their eastern Mediterranean destinations. Aden was therefore a nodal point

not just in the Indian Ocean maritime networks, but in what can reasonably be called (before the discovery of the Americas) a global network stretching from Atlantic Seville to the Spice Islands of the Indian Ocean. Ships converged on Aden from India, Somalia, Eritrea, and Zanj (a coastal portion of East Africa), so that it became a market where the produce of Africa, Asia, and the Mediterranean was exchanged.

TO INDIA: ABRAHAM BEN YIJU, FROM FUSTAT TO MANGALORE

Moving deeper into the Indian Ocean, the Egyptian merchants who had called in at Aden took advantage of the monsoons to head across the open sea to India. The Fustat traders had plenty of contact with Indian princes, merchants, and ship-owners. Indian sailors had no fear of the western Indian Ocean, and there were also local Jewish and Muslim ship-owners, such as ibn al-Muqaddam, who, after several voyages from Aden to the Malabar Coast, lost his ship at sea, replaced it, and then lost the replacement. The risks of travel did not prevent ambitious Fustat merchants from reaching India, rather than simply relying on the Indian and Muslim shippers who reached Aden: the greater the risks, the higher the profits.

Remarkable Indian texts, in the difficult Mayalam language, survive that shed light on the maritime connections and town life of the Indian coast around this time. They are legal documents, inscribed on copper plates in the port city of Kollam, or Quilon, in the far southwest of India not far from Ceylon, in AD 849. The texts carry signatures in several scripts highlighting the ethnic and religious diversity of the major trading towns along the coast of India at this period: 25 witnesses to these texts wrote their names in their everyday alphabet and language, whether Arabic and Middle Persian (written in Arabic script) or Judaeo-Persian (written in Hebrew script); there were Jews, Christians, Muslims, Hindus, and Zoroastrians. The copper plates mention the two guilds that brought together merchants trading out of Kollam: one, called *Manigraman*, specialised in Sumatra and the Malay peninsula; the other, *Ancuvannam*, looked in the other direction entirely, towards Arabia and East Africa. While the Sumatra-bound merchants were south Indian Tamils, those trading towards Asia were Arabs, Persians, and Jews. The guilds operated under royal supervision; as one of the plates states: "all royal business whatsoever, in the matter of pricing commodities and such like, shall be carried out by them." The rajah believed he could trust both native and foreign merchants to act responsibly on his behalf. It was only natural that he should show such a warm welcome to the foreign traders, because without them Kollam would have been nothing, and his own income would have shrivelled.

The Jewish ben Yiju family provides a marvellous example of how spices were transmitted all the way from India to major Mediterranean cities such as Palermo and Mahdia, a flourishing centre of exchange on the coast of Tunisia where the family originated before moving to Fustat. In 1132 Abraham ben Yiju found himself at Mangalore on the Malabar Coast. This area was known as far away as China, but in his day (he claimed) few ships made the long and difficult journey. This was a pessimistic judgement, for the quantities of Chinese goods found in Egypt and other parts of the Middle East prove that contact was intense and continuous, and also very profitable—though it was clearly achieved in stages and the mariners involved were Malays and Tamils, rather than Chinese.

Abraham ben Yiju certainly prospered while he was based in Mangalore. He bought a slave girl there; freed her, which had the effect in Jewish law of converting her to Judaism; then he married her and raised a family. Meanwhile, he was sending goods up and down the coast of western India. He made a lengthy visit to Aden around 1140, but he stayed in India most of the time until 1149. He set up a factory where bronze goods were produced, and imported arsenic from the West, for he was told there was strong demand for it in Ceylon, where it was used in medicine. He brought in Egyptian cotton and sent out iron, mango, and coconuts,

working with *Banyan*, or Hindu, Muslim, and Jewish partners. Among the Muslim partners of ben Yiju was the wealthy merchant of Siraf, Ramisht, whose large ships were well trusted; but even then things could go badly wrong, for one letter says that two of his ships were “total losses”, including valuable cargo belonging to Abraham ben Yiju. The news network, of which ben Yiju was part, extended all the way from India to Sicily and perhaps Spain.

Now wealthy, he had hoped to settle for the rest of his days in Mahdia or somewhere near there; but just after he left India for Aden, he heard that the king of Sicily had conquered the coast of Tunisia—he assumed that there had been massacres, though the conquest was in fact relatively peaceful. It is hard to recover a sense of what it was like to live in Mangalore, so far from home; but the nostalgia for North Africa that ben Yiju showed reveals that he saw his trading career in India as just that: a career which would eventually, if luck held, make him rich enough to return to the land of his ancestors, taking with him his Indian wife and children, for whom this would be a new world.

THE MALABAR COAST: FROM INDIA TO INDONESIA

The Malabar Coast looked in two directions, as it had in Roman times. Zhao Rugua remarked that one could reach that part of India from the Indonesian kingdom of Śri Vijaya “in little more than a month”. Not very often, but sometimes, Middle Eastern traders ranged far beyond India. A tenth-century book called *Wonders of India*, composed by a Persian author called Buzurg, told the “curious tale” of Isaac the Jew, who was sued by a fellow Jew in Oman and took flight to India somewhere around AD 882. For 30 years no one in the West knew what had happened to him. In fact, he had been making a fortune in China, where he was taken for an Arab, as Jewish traders often were. In 912–13 he turned up in Oman once again, aboard his own ship, whose cargo was estimated to be worth 1 million gold dinars and on which he paid a tax of 1 million silver dirhems (approximately 12 percent). This kept the local governor happy but aroused the jealousy of other merchants. After three years he decided he had experienced enough hostility and commissioned a new ship, which he filled with merchandise and sailed east in the hope of reaching China once again. He had to pass “Serboza”, or the maritime kingdom of Śri Vijaya. Its rajah saw a good opportunity to make money, demanding a fee of 20,000 dinars before he would let him leave for China. Isaac objected and was seized and put to death that very night. The rajah expropriated the ship and all its merchandise.

Śri Vijaya had become an important source of perfumes and spices, notably camphor, during the early Middle Ages, when Chinese demand grew for products that had previously come from India or even further west. The outcome was a vigorous expansion of Indonesian trade across the South China Sea, further enhanced by the liberal policies of the Song emperors in China, who encouraged trade by Chinese merchants. Their loss of control of northern China meant that they could not obtain goods along the old overland Silk Road, which ran well to the north of their centres of power and was subject to interference from their “barbarian” rivals. There is not space here to describe the extraordinary expansion of commerce linking Malaya, Indonesia, Korea, Japan, and other lands to imperial China, and the golden age of the South China Sea that then resulted—an era in which that body of water has been described as a second Mediterranean.

INDIA: LINKING ALEXANDRIA TO CHINA

Instead, we turn back to India itself, the interchange point between what at first sight appear to be two or even three trading networks: from Egypt via Aden to the Malabar Coast, and from the Malabar Coast to Malaya and Indonesia, with a further extension to Quanzhou and other Chinese ports. But when the goods

traded come under consideration, this looks more like a single line of communication linking Alexandria in the Mediterranean to China. Along this route silk, spices, porcelain, and metalwork, as well as religious ideas, were transmitted, together with all those humdrum materials—wheat, rice, dates, and so on—in which the sheikh of Qusayr, among many others, mainly dealt.

The flow of precious metals that resulted from these exchanges can be likened to a pair of rivers that converged on India. Payments for Indian luxuries continued to flood into the coffers of the rajahs, in gold and silver. The accumulation of bullion flowing in from the West and from China proceeded apace. As the treasuries of Indian princes immobilised the precious metals that came into the country, Egypt, Syria, and North Africa found themselves short of silver. These countries could look to northern Iran, but Iranian silver tended to drain towards Baghdad. They could obtain silver from western Europe, where the growing demand for eastern spices, from the late eleventh century onwards, meant that merchants from Venice, Genoa, and Pisa were keen to establish a presence in Alexandria and other Levantine cities, and to buy prodigious amounts of Indian or Indonesian goods. Meanwhile, vast amounts of Chinese cash, made of copper, were being taken out of the Middle Kingdom into surrounding lands, including Japan and Java.

It is often said that the beating of a butterfly's wings can affect the climate of the whole world. It can at least be said that the transactions that took place along a series of maritime trade routes that stretched from Spain—and eventually the Atlantic—to Japan had knock-on effects that could reach far down the line. Setting aside the Americas, still unknown to the inhabitants of other continents (ignoring for the moment the Vikings), a global network existed, one that had gained in strength and permanence since the days of the Greco-Roman trade towards India.

REFERENCES

1. To write authoritatively about these parts of the world demands linguistic competence of a very high order: one should probably begin with a knowledge of the ancient languages of Iraq, written in the formidably difficult cuneiform script—Sumerian and Akkadian. One could at least breathe a sigh of relief at the thought that the ancient script of the Indus Valley still remains undeciphered. Moving into the Middle Ages, one might expect to find an ability to read the Malay annals in the original, to handle Chinese and Japanese texts, to make sense of the Judaeo-Arabic letters written by India traders and brought from the Cairo Genizah to Cambridge, Oxford, and elsewhere; probably too a mastery of Malayalam to cope with the ninth-century copper plates from the Indian port of Kollam, which have been known for over a century but are only now being slowly deciphered. One scholar, Paul Wheatley, showed that he could deal with a great variety of languages in his fundamental book *The Golden Khersonese*, where he translated dozens of Chinese, Persian, Arabic, and other relevant texts concerning the Malay peninsula in antiquity and the early Middle Ages. I unashamedly confess that what is said here is drawn from translated texts. This is certainly one of the big challenges that historians face as they become more insistent on the global view.
2. Indian Ocean trade can be traced right back to the third millennium BC. Although there were certainly hiccups in this trade, its history shows remarkable continuity compared to that of the Mediterranean, where periods of deep recession interrupted the trade networks of the ancient world, or compared to that of the South China Sea, where the Chinese emperors sometimes discouraged maritime trade or attempted to reduce it to exchanges of gifts for tribute.
3. The White Bulgars were a people of Turkic extraction related to other groups of Bulgars who migrated.

ECONOMY AND SOCIETY: THE DUTCH REPUBLIC IN THE SEVENTEENTH CENTURY

by Maarten Prak



In 2014/15 the National Gallery in London sponsored a major exhibition of the works of Rembrandt. This is no great surprise: Rembrandt is a genius, one of the greatest painters of any age. But there is more to it than that, as he is also representative of a great number of painters—hundreds of artists, some well known, others less so—who were active in the Netherlands of his day. In England at the time there were perhaps a few dozen artists working in the same field, which brings home the point that the cultural sector was already big business in the Netherlands of the seventeenth century. And this cultural sector was itself just the tip of the iceberg—a small part of a much larger economy that was extremely dynamic and successful at that time: the Dutch Golden Age.

What is the story behind this Golden Age? Why did the remarkable sequence of events that explain this economic efflorescence happen when and where they did?

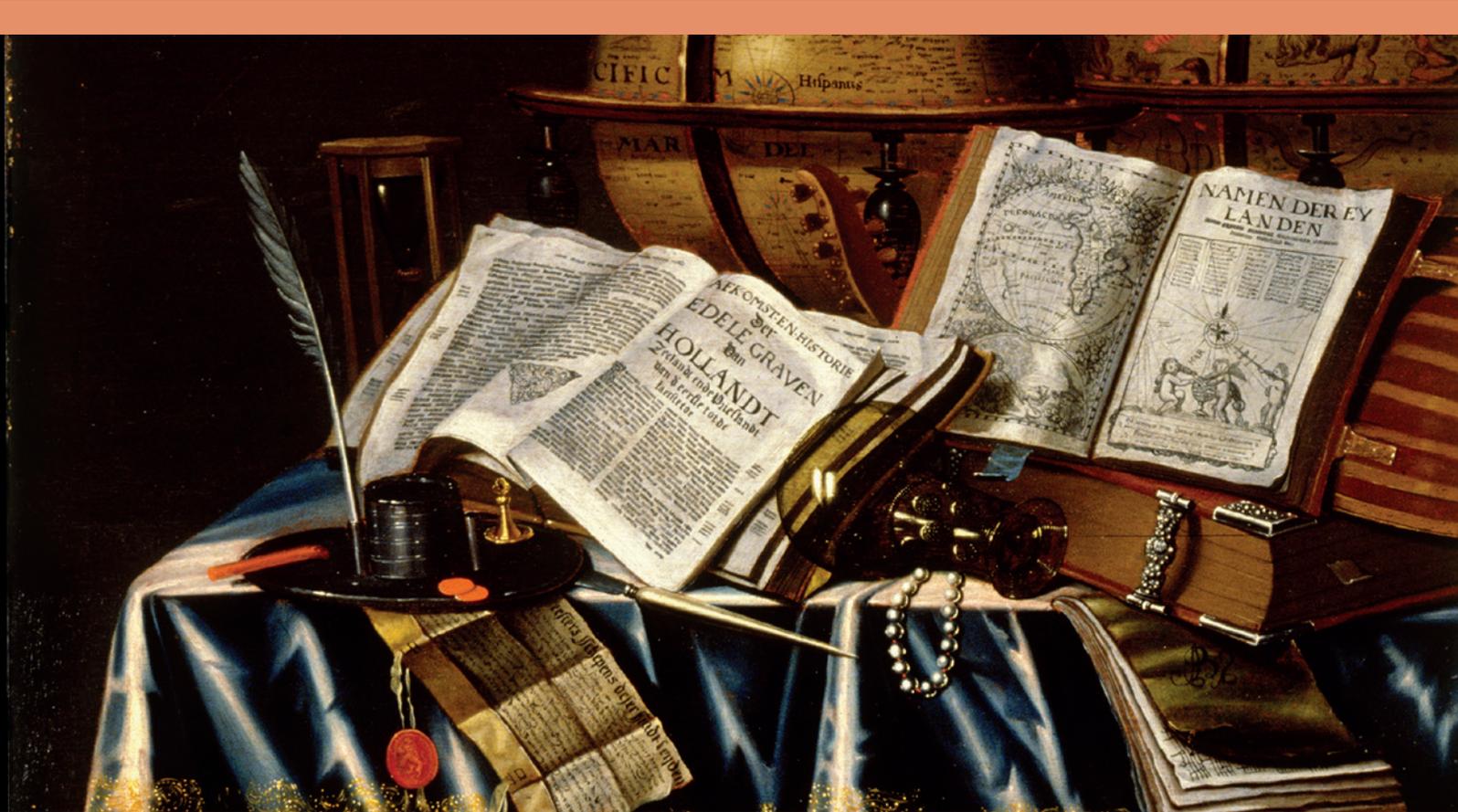
THEMES AND THEORIES

There are three different theories that might—or might not—help us explain these events. One was proposed in the 1980s by the British historian Jonathan Israel in his book about the Dutch economy: this Golden Age was the result of the migration of merchants from Antwerp who were cut off from the sea and so decided to move to Amsterdam, where they could continue their trade.¹

A second theory was proposed by the German sociologist Max Weber at the beginning of the twentieth century.² His argument was that capitalism—not just in the Netherlands but more generally in Europe—emerged as a result of the rise of Protestantism; it was religion that encouraged people to invest, work hard, and make money.

A third theory was proposed by two American economists, both Nobel laureates of recent years. Douglass North, winner of the Nobel Prize in Economics in 1993, proposed that economic prosperity had to be built on good institutions.³ Elinor Ostrom, who won the same prize in 2011, proposed that these institutions were not necessarily imposed from above but could also emerge from the bottom up: these were institutions that could have strong civic roots.⁴

All these themes will be revisited later.



THE DUTCH REVOLT

In 1585, in the midst of the Dutch Revolt, the Dutch rebels closed off the river Scheldt and, by doing so, the harbour in Antwerp, then the hub of northern European capitalism. At this point the rebels already held a number of cards that help to explain the emergence of the Dutch Golden Age in the seventeenth century. In the years after 1585 a number of other elements came into play. It is the combination of elements, old and new, that constitute, to a large extent, the Golden Age.

If we compare national production per capita of England (later UK) and the Netherlands (assuming that the English trend is representative of much of Europe), it becomes clear that, long before 1585, the Dutch economy was already doing remarkably well compared to its competitors. This data comparison also reveals that, while the Golden Age may stand out, at the same time it is part of a longer trend of economic growth. This is the trend from which the Golden Age emerged and on which the rebels, in charge of the Netherlands in the late sixteenth century, could build.

Vanitas c.1665 by Adam Bernaert (active c.1660-1669).

Items include an atlas open to a map of the East Indies, source of many Dutch fortunes, and a city council document with an imposing seal. The lute, music, and inkstand represent creative endeavours, which, like satisfaction in beautiful objects such as pearls, symbolise transitory human achievement and satisfactions.

Source: The Walters Art Gallery, Baltimore.

URBANISATION IN EUROPE

A relatively high level of urbanisation in the Netherlands is significant at this period. In England in the middle of the sixteenth century, before the Dutch Golden Age, 3.5 percent of the population lived in a community of more than 10,000 inhabitants, the great majority of them in London. In Italy the figure was quite a bit higher, at 13 percent. But in the Netherlands it was already 15 percent, and in what is now Belgium, 22 percent. A century later the urban population of England had almost tripled to 9 percent, while in Italy it had stayed at roughly the same level at 14 percent. Belgium, too, had stagnated at 21 percent, but the Netherlands had more than doubled to 32 percent: one in three Dutch people now lived in a city, and it was in the cities that most of the economic prosperity was created.

Dutch urbanisation follows a very different pattern of population distribution to England during this period. In England most city-dwellers lived in London; in the middle of the seventeenth century the city already had 400,000 inhabitants. There was only one other English town—Norwich, with 20,000 inhabitants—that had a major population (Edinburgh, in Scotland, had 35,000). By contrast, in the Netherlands—a much smaller country—there were 12 towns with 20,000 or more inhabitants. By the middle of the seventeenth century, Amsterdam had about 175,000 inhabitants: though not as large as London, it was still probably the third largest city in Europe at the time.

Dutch urbanisation was supported by a very modern type of agriculture. In sixteenth-century Europe most farmers were selling only a very small portion of their crops. Most of their produce was consumed at the farm. In the Netherlands, however, farms had become completely commercialised, and rather than consuming their own produce, farmers would bring all of it to market. This is not because they were smarter than farmers elsewhere, but because they had no alternative. The western part of the Netherlands had become so wet as a result of technological problems encountered while draining the area that they could only grow grass. As a consequence farmers were forced to convert their farms from arable use to husbandry. This meant the Dutch could no longer feed themselves and had to go abroad to get their staple grains. In fact they imported grain all the way from northern Poland to Amsterdam. Building a massive fleet to carry grain from Poland to the Netherlands was a crucial step to the Dutch becoming the main navigators of Europe in the sixteenth century. Again, this was not because they wanted to, but because they were forced by ecological necessity. This too made the Dutch economy much more commercial than the average sixteenth-century European economy.

Again, this had knock-on effects. In the sixteenth century the Netherlands had a population of around 1 million, compared to 10 million in France, and 3 million in England. Yet the Dutch had an extraordinary number of ships—more than the fleets of France and England combined. Furthermore, they had the shipyards that allowed them to build these ships more efficiently than their competitors and the sailors to man their ships. Lastly, because in the sixteenth and seventeenth centuries merchant sailors saw service on naval ships, they could also man a relatively effective fleet in time of war.

FAMINE AND DROUGHT IN THE MEDITERRANEAN

All the elements described thus far were already in place before the Dutch Golden Age. None of this, frankly, had much to do with migration, or with good institutions, or with Protestantism (at this point the Netherlands was an almost completely Catholic country).

Then, in the 1590s, something happened: Dutch ships entered the Mediterranean for the very first time. The Mediterranean was experiencing major famines as a result of drought that ravaged crops in the area. Antwerp merchants who had arrived in Amsterdam had great contacts in the Mediterranean, while the Dutch, as we have seen, had the ships. The combination made it possible for them to send their ships to the Mediterranean. By the late 1590s hundreds of Dutch ships were already plying the waves of the Mediterranean, despite the fact that in order to get there they had to sail past the Spanish coast—whose king they had revolted against.

At the same time, Dutch merchants—and Dutch ships—were sailing to other, non-European parts of the world. Their ships reached the Indonesian archipelago, in Southeast Asia, in the 1590s, and travelled to Venezuela in search of food. They did not quite reach North America—though they did so in the early days of the seventeenth century with the help of an Englishman. Henry Hudson, in the service of the Dutch East India Company, was trying (unsuccessfully) to discover a sea-route to Asia over the top of Canada. Later, in the 1630s, Dutch settlers seized colonies from the Portuguese in what is now Brazil.

AN EMERGING GLOBAL TRADE NETWORK

At the beginning of the seventeenth century a global trade network was already emerging that would lead to settlements in many parts of the world. Among these was South Africa, which started out as a Dutch colony in the mid-seventeenth century. Cape Town was created as a refreshment station for ships sailing from the Netherlands to the Indonesian archipelago. The Dutch traded in Japan and China, and did business on the Indian coast, in what is now Sri Lanka. These developments were all new and all started around 1600.

The Dutch East India Company—or *Vereenigde Oostindische Compagnie*, as it was known—was set up in 1602. By the middle of the seventeenth century its logo was the Dutch guilder, the most common currency for international trade in East Asia. By this time two-thirds of the European ships that rounded the tip of Africa came from the Netherlands. This was still the case in the middle of the eighteenth century, such was the Dutch domination of the trade route. At the same time, they set up trading colonies in the New World, which were not as successful as those in Asia. However, we should remember that Wall Street was originally built by the Dutch, along the wall the settlers constructed to defend themselves against the Native Americans in Manhattan.

This had an impact on Dutch industry. From a very early stage, the Dutch East India Company brought back not only spices and silk, but also Chinese porcelain, which became incredibly popular in European markets. Very quickly Chinese producers started to make special products for the Dutch East India Company, complete with the company logo emblazoned on them. When, in the middle of the seventeenth century, China fell victim to civil wars which cut off the trade in porcelain, Dutch companies started to produce imitation china which they called “Dutch porcelain”—what we now know as “Delft Blue” or “Delftware”—to fill the gap, and this became extremely popular. So popular, in fact, that when porcelain production resumed in China in the later seventeenth century, manufacturers started to imitate the Dutch imitation of original chinaware!

THE IMPACT OF MIGRATION

So what of the explanations mentioned above, put forward to explain this economic prosperity in the seventeenth century? Israel focuses on the impact of immigration from the southern Netherlands and from the “Low Countries”. There can be no doubt that the growth of Amsterdam must be explained through migration. At this time no city could survive with its native population alone. Migrants were absolutely essential, not just in Amsterdam, but also in London. Without immigration, the death rate in seventeenth-century towns would result in a population decrease. Amsterdam, however, was certainly growing in size. By the early seventeenth century the population of the city had grown to such an extent that it was decided to build more housing to accommodate all the newcomers, and in the 1660s further construction was undertaken. One of the areas created during this building activity was the famous canal area, which is now on the UNESCO World Heritage list. The canal zone aimed to attract people who had money to spend, deliberately providing houses that matched their wealth and lifestyle. At the same time working-class districts were created on the outskirts of town.

In the first half of the seventeenth century the number of inhabitants in Amsterdam who came from other countries hovered around 50 percent. By way of comparison, in 2013 the number of foreigners living in London was 36 percent—quite substantially below the percentage in Amsterdam some four centuries earlier. A substantial number—though perhaps not as many as might be expected—came from the southern Netherlands. In fact, the majority of migrants from this region had arrived before 1600. By far the largest group were Germans, who accounted for about half of all immigrants. There was also a sizeable group of Scandinavians. Nearly a quarter (23 percent) of these seventeenth-century immigrants were what might be described as “assorted others”. These came from a whole range of other European countries—from central Europe, including Poland and the Czech Republic, and even a few from the British Isles. Domestic staff came overwhelmingly from Germany, and Germans also provided the great majority of tailors, bakers, and other professions.

To what extent was this also true of the wealthy merchant class? We have some data from the early seventeenth century on immigrant merchants, and this paints a very interesting picture. We see that of the richest people in Amsterdam—those with a wealth of more than 100,000 guilders in 1631—about half were immigrants. One third of the wealthy merchants in the city were foreigners. Is this a high proportion? It could perhaps be argued either way. But the picture that emerges, both from the activities these people were undertaking and from the distribution of wealth, is that both immigrants and natives were important. It was the synergy created by the combination of immigration and what was already available in terms of wealth and initiative that brought about the Dutch Golden Age.

THE PROTESTANT WORK ETHIC

How far do Max Weber’s theories on the effects of Protestantism explain the success of the Dutch Republic at this time? Well, perhaps a certain amount. The Union of Utrecht was drawn up in 1579, when the Dutch rebels were in dire straits and decided to formalise their collaboration in opposing the Spanish Habsburgs. Among other things, in doing so, they wanted to organise and formalise the religious situation in the Republic. The Netherlands has never had a state church, and although its

head of state, the king, is Protestant, this is not formally set in law. Everybody knew that the main religion would be Protestantism, yet at the same time they stated in the Edict that no one could be investigated or persecuted because of their religion.

Out of the Dutch Revolt came a form of Protestantism that was very different, at least in its organisational aspect, from, say, the Church of England. Protestants were privileged: they got all the church buildings, and politicians had to be Protestant. Yet they had their problems too: in the early seventeenth century the Dutch Reformed Church—the Calvinist Church—fought over doctrine, and in 1619, at the Synod of Dordt, the Dutch Church split into two parts, which did little to help the standing of the Church in the country. Haarlem, a medium-sized town in the Netherlands in the early seventeenth century, had a substantial Reformed community, but also Anabaptists and quite a number of Catholics. By the eighteenth century the number of adherents to the Reformed Church had increased quite substantially, but there was still a very considerable Catholic community in Haarlem, who continued to profess their religion under Article 13 of the Union of Utrecht.

The size of the Catholic community meant that the authorities could not ignore it. Catholics were still forbidden from practising their rites openly, but the authorities did not want to outlaw them completely—that would have been bad for business, as people told each other all the time. Their solution was very much a Dutch solution—one that has parallels with the country's drugs policy today: officially, drugs are forbidden, but there is no difficulty finding them in the streets of Amsterdam. Very much the same was true of Catholicism in the seventeenth century. A Catholic church may not be obvious from its external appearance, but when you go inside, that is what you see. Every Sunday hundreds of people would convene at these churches to celebrate Mass. There were almost 30 so-called "hidden churches" in Amsterdam in the seventeenth century, and they were neatly listed in an official register in the Amsterdam town hall.

Jews could not officially profess their religion either. However, when the Portuguese Jewish synagogue was opened in the second half of the seventeenth century, William of Orange (England's future king) came to pay his respects—and rightly so, as the invasion of England in 1688 was financed by Jewish bankers.

There are different interpretations of the impact of religion on the rise of Dutch capitalism. One view is that the Netherlands was a tolerant country. However, if toleration was practised, then it was because people saw no alternative. It might be argued that, from a religious point of view, the Dutch Republic was more tolerant than most other countries, but the fact remains that the Reformed Church was privileged and Catholics were discriminated against: nobody in the seventeenth-century Netherlands seriously believed in the principle of toleration, only in its practical necessity.

Another interpretation is that Protestantism did not work its wondrous ways through the work ethic but through what might be called "human capital". Protestant countries were countries where people could generally read and write. The number of books produced annually in Protestant countries was far higher than in Catholic countries—and nowhere more so than in the Netherlands of that time. So it may be that the main impact of religion, for a Protestant state, was the capacity it gave its people to read and write.

THE INFLUENCE OF STATE INSTITUTIONS AND COMMUNITY GROUPINGS

It is tempting to think of institutions in a very instrumental way. We can identify the Bank of Amsterdam, set up along the lines of the Bank of England in the early seventeenth century, or the Amsterdam Stock Exchange, considered to be the oldest in the world. But we should also consider a different type of institution: institutions of governance that ruled the country. One important clue to the success of the Dutch Republic in the seventeenth century can be found, again, in the Union of Utrecht of 1579. In its first article the Union sends out a double message. On the one hand, the rebel provinces agree to collaborate as if they constitute a single province, with a common army and a common tax system. But they go on to state, nonetheless, that each province and individual cities' members and inhabitants shall retain *undiminished* their special and particular privileges: these include franchises, exemptions, rights, and statutes, to name but a few. In essence, the first article is very clear: "We collaborate because we have to, but—oh boy!—do we love our autonomy!" In the state structure of the Dutch Republic, the central institutions were responsible only for foreign policy. Domestic politics were dominated by the provinces, and within the provinces it was the cities that were most important. In Holland—the province that delivered 60 percent of all the taxes collected in the Dutch Republic—18 separate towns could cast their vote.

The Dutch Republic did not have a head of state. Orange stadtholders may have behaved as though they were heads of state, but they knew very well that they were not: their main function was to command the army and the navy. In fact they had a subservient role in the political system. Holland called the shots because most of the important economic activities were concentrated there. Not only did Holland produce by far the most important tax revenues, but all debts run up by the Dutch Republic in the course of the seventeenth century were shouldered by that province. The cities, as we have said, were crucial to the rise of the Dutch Republic, and in the cities of Holland—particularly Amsterdam—all kinds of social groups, not just the elite, were involved in running the community. Amsterdam had several dozen guilds that were central to the economic life of the city, and their number was growing. Even women were involved in running some of the city's charities. The citizens met regularly as members of civic militias, such as the company depicted in Rembrandt's *Night Watch* of 1642.

The involvement of ordinary people in the governance of the Dutch Republic translated into very high per capita taxation. Nowhere in Europe, nor probably in the world, did people pay more taxes than in the Netherlands. These taxes paid for all kinds of public services. Government was not capable of raising taxation as it does today; in many respects these taxes were voluntary contributions to the public cause.

In its institutional make-up, the Netherlands was not at all unique. Renaissance Italy, for instance, was very similar in its institutional arrangements to the Dutch Republic, as was southern Germany—another place where pre-modern capitalism was very successful. However, we can see a pattern emerge here. In pre-modern Europe we find two types of society. Through the middle of Europe, we can identify merchant-dominated societies where markets were well integrated but states were not: very small "city states", or bottom-up federal types of state. On the other hand, on the eastern and western urban spine of Europe, we find much larger states, usually dominated by agrarian economies: here the level of economic integration is relatively low, but the level of political integration relatively high.

TRUST IN GOVERNMENT: THE CRUCIAL FACTOR

So, to return to the question posed at the beginning of this essay: why did the Dutch Golden Age occur? And we might add: why did it occur where it did? These are interesting questions, though the answers are not obvious. Around 1600 such an efflorescence could have occurred in Antwerp, which was dominant for much of the sixteenth century, or Hamburg, or London, which would ultimately, of course, become “the capital of capitalism” in the eighteenth century. A number of factors were important. The early medieval commercialisation of the western part of the Netherlands was a very significant element, but this alone was not enough to create a Golden Age. Immigration from the southern Netherlands was also necessary. The role of Protestantism in this whole story is, arguably, rather ambiguous, and the fact that the Netherlands was religiously tolerant was just as important. The most important aspect of all, we may say, was trust in government, particularly local government. This is evident in the tax revenues that started to flow in at a very early stage of the Dutch Revolt. The Dutch Revolt was a truly popular movement that helped sustain this economic success story.

REFERENCES

1. Jonathan Israel, *Dutch Primacy in World Trade, 1585–1740* (Oxford University Press, 1989).
2. Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, trans. Stephen Karlberg (Oxford University Press, 2011).
3. Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge University Press, 1990).
4. Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (New York: Cambridge University Press, 1990).

BOURGEOIS DIGNITY: HOW IDEAS, NOT CAPITAL OR INSTITUTIONS, ENRICHED THE WORLD

by Deirdre McCloskey



Why are we so rich? Who are “we”? Have our riches corrupted us?

There are long answers to these questions that can be found in my trilogy *The Bourgeois Era*.¹ In this trilogy, I explain, firstly, how the commercial bourgeoisie—the middle class of traders, dealers, inventors, and managers—is good, not bad. Secondly, I argue that the modern world was not made by the usual material causes, all of which have been widespread in other cultures and at other times; rather, it was caused by many technical and some few institutional ideas among a uniquely revalued bourgeoisie, at first peculiar to northwestern Europe. Thirdly, I explain how a new way of looking at the virtues and bettering ideas in this area sprang from a novel liberty and dignity enjoyed by all commoners, and from a startling revaluation by society as a whole of the trading and betterment in which the bourgeoisie specialised.

This revaluation, called “liberalism”, in turn derived, not from some ancient superiority of the Europeans, but from egalitarian accidents in their politics. What mattered were two levels of ideas: the ideas in the heads of entrepreneurs for the betterments themselves (the electric motor, the aeroplane, the stock market); and the ideas in society at large *about* the business people and their betterments (this liberalism). What were *not* causal were the conventional factors of accumulated capital and institutional change. They happened, but they were largely dependent on betterment and liberalism.

THE GREAT ENRICHMENT

The upshot since 1800 has been a gigantic improvement for the poor, yielding equality of real comfort in health and housing: an improvement for many of our ancestors, and a promise, now being fulfilled, of the same result worldwide—a Great Enrichment for even the poorest among us. These are controversial claims, because they are optimistic. Many on the left, such as the economist and former finance minister of Greece, Yanis Varoufakis, and the French economist Thomas Piketty, and some on the right, such as the American economist Tyler Cowan, believe that we are doomed.

Varoufakis thinks that wealth is caused by imperial sums of capital sloshing around the world economy. He thinks in a Marxist and Keynesian way that the economy is like a balloon, puffed up by consumption and about to leak. In my view, the economy is like a sausage-machine: if Greece or Europe want greater wealth, they need to make the machine work better—valuing enterprise, for



example, and letting people work when they want to. Piketty thinks that the rich always get richer, and the rest of us stagnate; but this is not true, even on the basis of his own statistics, and certainly not in the long run. For the most part, what has happened in the past two centuries is that the sausage-machine has got tremendously more productive, benefiting mainly the poor. Cowan thinks that improvements in the sausage-machine are over. But there is little evidence of technological stagnation, and for at least the next century the poor of the non-Western world will be catching up, enriching us all with their own betterments of the sausage-machine.

In sum, I do not agree that we are doomed. Over the next century I see a worldwide enrichment both materially and spiritually that will give the wretched of the earth the lives of a present-day, bourgeois Dutch person.

For reasons that are not entirely clear, the clerisy after 1848 turned towards nationalism and socialism, and against liberalism. It came also to delight in an ever-expanding list of pessimisms about the way we live now in our approximately liberal societies: from the lack of temperance among the poor

Sir Richard Arkwright (1732–1792)

Source: *Meyers Konversations-Lexikon*,
1905-1909 (Germany).

to an excess of carbon dioxide in the atmosphere. Anti-liberal utopias believed to offset these pessimisms have been popular among the clergy: its pessimistic and utopian books have sold millions.

But the twentieth-century experiments—of nationalism and socialism, of syndicalism in factories and central planning for investment, of proliferating regulation for imagined but not factually documented imperfections in the market—did not work. Most of the pessimisms about how we live now have turned out to be mistaken. It is a puzzle. There are still those who believe in nationalism or socialism or proliferating regulation; those who are in the grip of pessimism about growth or consumerism or the environment or inequality. But—for the good of the wretched of the earth—they should reconsider.

NOT BRICK ON BRICK, BUT IDEA ON IDEA

My trilogy, *The Bourgeois Era*, chronicles, explains, and defends what made us rich: the system we have had since 1800 or 1848, usually but misleadingly called modern “capitalism”. This system should rather be called “technological and institutional betterment at a frenetic pace, tested by unforced exchange among all the parties involved”, or “fantastically successful liberalism, in the old European sense, applied to trade and politics, as it was applied also to science and music and painting and literature”. The simplest version is “trade-tested progress”. Many humans are now stunningly better off than their ancestors were in 1800, and the rest of humanity shows every sign of joining the enrichment.

A crucial point is that the greatly enriched world cannot be explained in any deep way by the accumulation of capital, despite what economists from Adam Smith through Karl Marx to Varoufakis, Piketty, and Cowan have believed—and what the very word “capitalism” seems to imply. This word embodies a scientific mistake. Our riches did not come from piling brick on brick, or university degree on university degree, or bank balance on bank balance, but from piling idea on idea. The bricks, degrees, and bank balances—the capital accumulations—were of course necessary; but so were a labour force and water and the arrow of time. Oxygen is necessary for fire, but it would be unhelpful to explain the Chicago Fire of October 1871 by the presence of oxygen in the earth’s atmosphere. A better explanation might be: a long dry spell, the city’s wooden buildings, a strong wind from the southwest, or, if you disdain Irish immigrants—Mrs O’Leary’s cow.

The modern world cannot be explained by routine brick-piling, such as the Indian Ocean trade, English banking, canals, the British savings rate, the Atlantic slave trade, natural resources, the enclosure movement, the exploitation of workers in satanic mills, or the accumulation in European cities of capital, whether physical or human. Such routines are too common in world history, and too feeble in quantitative power, to explain the thirty- or hundred-fold enrichment per person unique to the past two centuries.

This last fact, discovered by economic historians over the past few decades, is crucial and astonishing. From 1800 to 2000 trade-tested goods and services available to the average person in Sweden or Taiwan rose by a factor between 30 (the lowest estimate) and 100 (the highest). The increase was not by 100 percent—a mere doubling—but according to the highest estimate, by a factor of 100, so nearly 10,000 percent; even according to the lowest estimate, it was by a factor of 30, so 2,900 percent. The Great Enrichment of the past two centuries has dwarfed any of the previous and temporary enrichments. Explaining this fact is the central scientific task of economics and economic history, and it matters for any other sort of social science or recent history.

BOURGEOIS DIGNITY REVALUED

So what does explain it? The causes were not—to pick from an apparently inexhaustible list of materialist factors promoted by economists and economic historians—coal, thrift, transport, high male wages, low female and child wages, surplus value, human capital, geography, railways, institutions, infrastructure, nationalism, the quickening of commerce, the late medieval run-up, Renaissance individualism, the First Divergence, the Black Death, American silver, the original accumulation of capital, piracy, empire, eugenic improvement, the mathematisation of celestial mechanics, technical education, or a perfection of property rights.

Such conditions had been routine in a dozen of the leading organised societies of Eurasia, from ancient Egypt and China to Tokugawa Japan and the Ottoman Empire, and not unknown in Meso-America and the Andes. What has been routine cannot account for the strangest secular event in human history. This event began with bourgeois dignity in Holland after 1600, gathered up its tools for betterment in England after 1700, and burst on northwestern Europe, and then the world, after 1800.

The modern world was made by a slow-motion revolution in *ethical* convictions about virtues and vices, in particular by a much higher level of toleration for trade-tested progress: letting people make mutually advantageous deals, even admiring them for doing so, and especially admiring them when, Steve Jobs-like, they imagine betterments.

It should be noted that the crux was not psychology—as Max Weber claimed in 1905—but sociology. Toleration for free trade and honoured betterment was advocated first by the bourgeoisie itself, then more consequentially by the clerisy, which for the century before 1848 admired economic liberty and bourgeois dignity. After 1848, in places such as the United States, Holland, and Japan, the bulk of ordinary people came slowly to agree. By then, however, much of the avant garde of the clerisy worldwide had turned decisively against the bourgeoisie, on the road to twentieth-century fascism and communism.

Yet in luckier countries, such as Norway and Australia, the bourgeoisie was for the first time judged by many to be acceptably honest, and was in fact acceptably honest, under new social and familial pressures. By 1900, and increasingly since then, the Bourgeois Revaluation had made most people in quite a few places, from Syracuse to Singapore, very rich and pretty good.

Admittedly, this explanation is embarrassingly, pathetically unoriginal. It is merely the economic and historical realisation in actual economies and actual economic histories of eighteenth-century liberal thought. But that, after all, is just what the clerisy after 1848 so sadly mislaid, and what subsequent history proved to be profoundly correct. Liberty and dignity for ordinary people made us rich, in every meaning of the word.

The change—the Bourgeois Revaluation—was the coming of a business-respecting civilisation, an acceptance of the Bourgeois Deal: “Let me make money in the first act, and by the third act I will make you *all* rich.” Much of the elite, then also much of the non-elite of northwestern Europe and its offshoots, came to accept, or even admire, the values of trade and betterment. At the least, the polity did not attempt to block such values, as it had done energetically in earlier times. In particular, it did not do so in the new United States. Subsequently, elites and then common people in other parts of

the world followed suit, including now, startlingly, China and India. They undertook to respect—or at least not to utterly despise, overtax, and stupidly regulate—the bourgeoisie.

THE FOUR Rs

So why, and why then, did the Bourgeois Revaluation come about? The answer lies in the surprising, black swan luck of northwestern Europe's reaction to the turmoil of the early modern period: the coincidence there of successful Reading, Reformation, Revolt, and Revolution: "the Four Rs". The dice were rolled by Gutenberg, Luther, William of Orange, and Oliver Cromwell. Their payoffs, by lucky chance for England, were deposited in that formerly inconsequential nation, in a pile, late in the seventeenth century. None of the Four Rs had deep English or European causes. Any of these dice could have rolled another way. They were bizarre and unpredictable. In 1400, or even in 1600, a canny observer would have bet on an industrial revolution and a great enrichment—if she could have imagined such freakish events—in technologically advanced China, or in the vigorous Ottoman Empire. Not in backward, quarrelsome Europe.

A result of Reading, Reformation, Revolt, and Revolution was a fifth R: the crucial Revaluation of the bourgeoisie, first in Holland and then in Britain. This revaluation was part of an R-caused, egalitarian reappraisal of ordinary people. The hierarchy—the conviction that the political authorities that exist have been instituted by God—began slowly and partially to break down.

The cause of the bourgeois betterments was an economic liberation and a sociological dignifying of such men as Sir Richard Arkwright, a barber and wig-maker of Bolton, son of a tailor, who tinkered with spinning machines and died in 1792 possessed of one of the largest bourgeois fortunes in England. The Industrial Revolution, and especially the Great Enrichment, came from liberating commoners from compelled service to a hereditary elite, such as the noble lord in the castle, or compelled obedience to a state functionary, such as the economic planner in the city hall. It came from according honour to the formerly despised of Bolton—or of Osaka, or of Lake Wobegon. It came from commoners exercising their liberty to relocate a factory or invent airbrakes.

Not everyone accepted the Bourgeois Deal, even in the United States. It is not complete, and it can be undermined by hostile attitudes and clumsy regulations. In Chicago a \$300 license is required to start a little repair service for sewing machines, but it is not permitted to run such a business in your own home because of zoning regulations, arranged politically by big retailers. In Rotterdam the obstructions are worse. Anti-bourgeois attitudes survive even in bourgeois cities like London, New York, and Milan, expressed around neo-aristocratic dinner tables and in neo-priestly editorial meetings. A journalist in Sweden noted recently that when the Swedish government recommended two centimetres of toothpaste on one's brush, no journalist complained:

[The] journalists ... take great professional pride in treating with the utmost scepticism a press release or some new report from any commercial entity. And rightly so. But the big mystery is why similar output is treated differently just because it is from a government organization. It's not hard to imagine the media's response if Colgate put out a press release telling the general public to use at least two centimeters of toothpaste twice every day.²

BOURGEOIS VIRTUES

The bourgeoisie is far from being ethically blameless. It has regularly tried to set itself up as a new aristocracy to be protected by the state, as Adam Smith and Karl Marx predicted it would. In the em-bourgeois-ifying lands on the shores of the North Sea, the old hierarchy, based on birth or clerical rank, did not simply disappear on January 1, 1700. Tales of pre- or anti-bourgeois life strangely dominated the high and low art of the Bourgeois Era. Flaubert's and Hemingway's novels, D'Annunzio's and Eliot's poetry, Eisenstein's and Pasolini's films—not to speak of a rich undergrowth of cowboy movies and spy novels—all celebrate peasant/proletariat or aristocratic values. A hard coming we bourgeois have had of it.

A unique liberalism was what freed the betterment of equals, starting in Holland in 1585, and in England and New England a century later. Betterment came largely out of a change in the ethical rhetoric of the economy, especially about the bourgeoisie and its projects.

It is clear that “bourgeois” does not have to mean what conservatives and progressives mean by it—namely, “having a thoroughly corrupted human spirit”. In 1843 Thomas Carlyle, the Romantic Scottish conservative, viewed the typical bourgeois as an atheist with “a deadened soul, seared with the brute Idolatry of Sense, to whom going to Hell is equivalent to not making money”. From the other side, Charles Sellers, an influential leftist historian of the United States writing in 1996, described the new respect for the bourgeoisie in America as a plague that, between 1815 and 1846, would “wrench a commodified humanity to relentless competitive effort and poison the more affective and altruistic relations of social reproduction that outweigh material accumulation for most human beings”.³ Contrary to Carlyle and Sellers, however, bourgeois life is in fact mainly co-operative and altruistic, and when competitive, it is good for the poorest among us. We should have more of it.

The Bourgeois Deal does not imply, however, that one needs to be fond of greed, or that one needs to think greed suffices for an economic ethic. Such a Machiavellian theory, “greed is good”, has undermined ethical thinking about the Bourgeois Era. It has done so especially during the past three decades in smart-aleck hangouts such as Wall Street. Prudence is a great virtue among the seven principal virtues. But greed is the sin of prudence *only*—the admitted virtue of prudence when it is *not* balanced by the other six, thereby becoming a vice. This is the central point of the first in my Bourgeois Era trilogy, *The Bourgeois Virtues*, and for that matter of Adam Smith's *The Theory of Moral Sentiments*, of 1759.

Nor has the Bourgeois Era led to a poisoning of the virtues. In a collection of short essays asking “Does the free market corrode moral character?”, the political theorist Michael Walzer replies “Of course it does”. But then he wisely adds that *any* social system corrodes one or another virtue. That the Bourgeois Era has surely tempted people into thinking that greed is good, wrote Walzer, “isn't itself an argument against the free market. Think about the ways democratic politics also corrodes moral character. Competition for political power puts people under great pressure ... to shout lies at public meetings, to make promises they can't keep.” Or think about the ways even a mild socialism puts people under great pressure to commit the sins of envy or state-enforced greed or violence or environmental imprudence. Or think about how the alleged affective and altruistic relations of social reproduction in America before the alleged commercial revolution put people under great pressure to obey their husbands in all things and to hang troublesome Quakers and Anabaptists.

Any social system, if it is not to dissolve into a war of all against all, needs ethics internalised by its participants. It must have some device—preaching, movies, the press, child-raising, the state—to slow down the corrosion of moral character, at any rate by the standard the society sets. The Bourgeois Era has set a higher social standard than others, abolishing slavery and giving votes to women and the poor. For further progress Walzer, the communitarian, puts his trust in an old conservative argument: an ethical education arising from good-intentioned laws. It may be doubtful that a state strong enough to enforce such laws would remain uncorrupted for long, at any rate outside northern Europe. In any case, contrary to a common opinion since 1848, the arrival of a bourgeois, business-respecting civilisation did *not* corrupt the human spirit, despite temptations. Mostly it elevated the human spirit. Walzer is right to complain that “the arrogance of the economic elite these last few decades has been astonishing”. So it has been. But this arrogance comes from the smart-aleck theory that greed is good, and not from the moralised economy of trade and betterment that Smith, Mill, and later economists saw around them and which continues even now to spread.

The Bourgeois Era did not thrust aside lives “of enduring human values of family, trust, cooperation, love, and equality”, as Sellers elsewhere claims in rhapsodising about the world we have lost. Good lives such as these can be and actually are lived on a gigantic scale in the modern, bourgeois town. In Alan Paton’s *Cry, the Beloved Country*,⁵ John Kumalo, from a village in Natal and now a big man in Johannesburg, says, “I do not say we are free here.” A black man under apartheid in South Africa in 1948 could hardly say so. “But at least I am free of the chief. At least I am free of an old and ignorant man.”

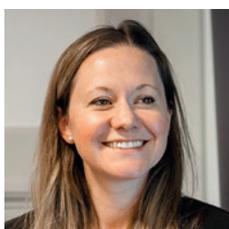
The Revaluation, in short, came out of a rhetoric—what the Dutch economist Arjo Klamer calls the “conversation”—that would, and will, enrich the world. We are not doomed. If we have a sensible and fact-based conversation about economics and economic history and politics, we will do pretty well, for Rio and Rotterdam and the rest.

REFERENCES

1. Deirdre McCloskey, *The Bourgeois Virtues: Ethics for an Age of Commerce* (University of Chicago Press, 2006), *Bourgeois Dignity: Why Economics Can't Explain the Modern World* (University of Chicago Press, 2010), and *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World* (University of Chicago Press, 2016).
2. Ola Tedin, *The Local Se*, May 25, 2012. Available at: www.thelocal.se/20120525/40998.
3. Charles Sellers, *The Market Revolution: Jacksonian America, 1815–1846* (Oxford University Press, 1996).
4. Michael Walzer et al., *Does the Free Market Corrode Moral Character?* A "conversation" conducted by the John Templeton Foundation (2008). Available at: www.templeton.org/market.
5. Alan Paton, *Cry, the Beloved Country* (Jonathan Cape, 1948).

THE AGE OF PLUNDER: HOW WE TRADED AFRICA

by Bronwen Everill



The long eighteenth century saw two important turning points in the development of European trading relationships with Africa: first, the exponential expansion of the slave trade, and the growing reliance of all parts of the Atlantic world on a slave-based economic system; and second, at the end of the eighteenth century, the growth of the abolition movement and the subsequent reframing of economic and political relationships with African states and peoples. These two commercial innovations not only shaped the way that we imagine Africa's place in the global commerce of the nineteenth, twentieth, and twenty-first centuries; they also gave rise to numerous developments in the history of capitalism. Atlantic commercial ventures in Africa reflected and affected the development of *industrial* capitalism, the dynamics of imperial commercial relationships with West Africa, and changing consumer thinking about the products of empire.

British, Dutch, French, Portuguese, Fante, Fula, Efik, and Kongo: all of these groups developed new systems for incorporating the slave trade into their economies, expanding their global economic connections, and developing new ways of extending long-term, long-distance credit. The rise and fall of the Royal African Company (RAC) illustrates the dynamic evolution of Atlantic trade in the period, and also set the stage for the type of commercial relationship that would define much of the global economic interaction with African states up to the present day.

AN ATLANTIC CONSUMER CULTURE

The eighteenth century was the century of the Atlantic Economy. British trade to America and Africa grew nearly eight times over between the beginning of the century and the outbreak of the American Revolution.¹ British exports to America and Africa increased in value from £375,000 to nearly £3.7 million over the century. African exports increased dramatically over the course of the eighteenth century: gum Arabic, gum Senegal, ivory, gold, camwood, rice, guinea-wood, beeswax. And most striking of all: slaves.

Many of these commodities were important to the growth of industrialisation in Europe. One—the commoditised labour performed by the enslaved—was essential. Together, these imports and exports helped to create an Atlantic consumer culture. African goods were in demand in London; American goods were in demand in Forekariah and Sherbro; British goods were in demand in Philadelphia; and African labour was in demand everywhere. As one anonymous trader wrote in 1772, "How vast is the importance of our trade to Africa, which is the first principle and foundation of all the rest; the main spring of the machine, which sets every wheel in motion."²



THE AFRICAN TRADE

The rise of export trade—and ultimately, the slave trade—was not a process that “happened to” Africa; it was a varied process that involved both resistance to and complicity in the expanding trade. The growth of African Atlantic commercial enterprise had a great deal of regional and even local specificity, not unlike the commercial dynamics at play in Europe and North and South America. Why did sugar take off in Cuba, tobacco in Virginia, ship-building in New England? Why did the slave trade operate so extensively from Bristol and Liverpool and not from Ipswich and Portsmouth? Why did the Wolof and Fante end up being important slave traders, but the Kru become known as excellent pilots, and the Balanta become most famous for their resistance to the slave trade? Primarily, this was due to a combination of local political and economic dynamics and social change over the eighteenth century, path dependency, power dynamics, and local resources.

If we first consider the mechanics of the trade, the long eighteenth century—in this case, from 1660 to 1807—saw a change from royal chartered companies to independent, separate, or (as I refer to them here) private traders. This was the

King James II (r. 1685-1688)
Painted whilst in exile. Unknown
artist, 1690.

Source: © National Portrait Gallery
(Wikicommon/Pd-Art)
www.npg.org.uk/collections/

result of three main dynamics: political and economic transformations in Britain; interactions between the various European trading companies and traders; and the actual political, economic, and commercial situation on the ground in Africa, which, in the end, had arguably the greatest impact.

On the American side of the Atlantic, the major powers were all interdependent for much of the expansionary period of the slave trade and the establishment of colonial plantation economies. The Dutch provisioned the French colonies; the Dutch, then the French, then the British provided slaves to the Spanish colonies; the British American colonists made trading fortunes in Spanish and French Caribbean colonies; and the Portuguese were able to focus almost exclusively on an extractive economy in South America because they could rely on British manufactures and financing. Around the Atlantic, demand for enslaved labour to produce the tropical commodities that had become an essential part of “modern” life—sugar, cotton, indigo, rice—fuelled the expansion of the groups involved in providing that enslaved labour.

COASTAL TRADING FORTS

The slave trade was largely operated out of a selection of forts along the West African coast built and manned by the European chartered companies. These forts were established using a combination of European and African precedent. The RAC followed European traditions of establishing military forts to defend trading interests. It improved on the fort at Cape Coast, defended existing forts against attack by the Dutch (who had challenged their position in the Gold Coast in 1664 and 1665) and the Portuguese, and built forts at Dixcove, Sekondi, Anomabo, Accra, and Ouidah.

The fort at Anomabo is a good illustration of the territorial and trade rivalry that shaped the Africa trade. Built initially by the Dutch in 1639, it was captured by the Swedes and then recaptured by the Dutch in 1660. The Treaty of Breda, which ended the Anglo-Dutch War in 1667, granted Anomabo to the British, who built their own small fort there beginning in 1672. They abandoned building a few years later to focus on Cape Coast Castle. However, the licensing rules of 1698 allowed independent traders not affiliated with the Company to trade at Company forts for a 10 percent fee, which meant that Anomabo stayed within the British sphere of influence.

In West Africa a number of societies had a pre-existing model for incorporating trading diasporas and itinerant traders into their polities, termed the “Landlord–Stranger” model in historical literature. The ruler of a particular place would assume the role of landlord for a new trader, representing them in any disputes and vouching for their character (and debts). The stranger would pay any taxes, custom duties, landing fees, etc. to their landlord. This relationship was often formalised through intermarriage, thus incorporating the stranger into the community. When it came to setting up forts for trading, then, both parties had some precedent for the relationships that would develop. The high rate of turnover of European personnel on the coast (largely a result of disease) and the incorporation of other traders into the families of African rulers meant that landlords and strangers often shared interests.

Unlike later colonial settlement, the Royal African Company and other chartered companies were quite circumscribed in their political role, although they certainly supported factions and provided the guns, funding, and trade goods that helped to support some regimes and topple others. By the early eighteenth century, however, the seventeenth-century trading and political status quo was already being challenged by the development of new political and economic alliances in both Europe and Africa. For instance, from 1694 until 1700 the RAC was a major participant in the Komenda Wars between Dutch and British

traders who were allied to different African leaders, in the port city of Komenda in the Eguafu kingdom in modern-day Ghana. During the four Komenda Wars, the RAC allied itself with a merchant prince named John Cabess to depose the sitting king of Eguafu and permanently establish a fort and factory in Komenda in order to control the gold trade from the region. However, the conduct of the wars, and the instability they caused, led to the growth of the slave trade from the region. As civil wars ensued for control of the trade to the British, captives from the wars were sold off to pay for the mercenaries and guns necessary to win. The barriers to entry in the slave trade were briefly lowered by the resultant political instability.

THE CHARTERED COMPANIES

The Royal African Company and the South Sea Company—the two chartered companies responsible for much of the English (and then British) African trade in the first half of the long eighteenth century—both operated as chartered royal monopolies. In the late seventeenth and early eighteenth centuries, when they were founded, this was the preferred European structure for operating overseas and imperial trade. In Africa, the Dutch West India Company and French *Compagnie des Indes* and its successor, the Senegal Company, were the largest competitors for slaves. The companies often went to war or used the occasions of the numerous European wars of this period—the European countries involved in African trade were at war with each other for 73 out of 150 years—to attack and raid each other's forts in Africa. This contributed to, among other things, the bankruptcy of the *Compagnie des Indes*.

The shareholders in the Royal African Company attested to the connections between royal prerogative and early commercial expansion into the Atlantic, and demonstrate the seventeenth-century style of Atlantic commercial expansion. Wealthy London merchants were joined by numerous members of the Stuarts. The Duke of York—Charles II's brother James (later James II)—was the main shareholder and director at its founding in 1660 (at the Restoration), first as the Company of Royal Adventurers Trading to Africa, and was responsible for leading the merger with the Gambia Merchants' Company to establish the Royal African Company in 1672. When the Gambia Company's charter expired in 1678, it fully merged with the RAC. The new RAC was given a royal monopoly of the slave trade from its incorporation in 1672 until that charter expired in 1698. Between 1672 and 1689 the RAC was responsible for the transportation of 90,000 to 100,000 Africans.

As William Pettigrew's important new book *Freedom's Debt* has indicated, the changes that took place in British political life after the Glorious Revolution of 1688 had an important effect on the development of chartered company trade and free trade in Africa.³ The Africa trade debates shaped the terms of slave trading in the eighteenth century. The RAC had to come to the new parliament, in the wake of the Glorious Revolution, for confirmation of its monopoly. It was, thus, in the unique position of being the focal point of debates about the old order and the new. Independent traders, who had had far less influence in the old regime and for that reason had fewer ties to it after 1689, were able to make a case for opening up African trade as an important point of principle. In 1698 an Act of Parliament recognised the continuation of the RAC's charter for a further 13 years, but at the same time opened the African trade to all English merchants, provided they paid certain duties to the RAC. According to Pettigrew, this all but obliterated the RAC's share of the slave trade, which dropped from 88 percent in 1690 to 8 percent in 1701.

THE SOUTH SEA COMPANY

In the eighteenth century the rise of the British independent or private traders affected the relationships that had formed along the coast, and challenged the primacy of the state monopolies on trade. For both African and European participants in the slave trade, over the course of the eighteenth century, more and more trade was conducted by people acting as individuals rather than as royal agents. When the 1698 Act expired in 1711, the private traders argued that they should no longer have to pay the 10 percent duty. The RAC, which then bore the entire cost of maintaining forts and defence, was in need of a new lifeline to support it both politically and economically.

At the conclusion of the War of the Spanish Succession, the Treaty of Utrecht (1713) gave Great Britain a 30-year *asiento*, or contract, to furnish (supply) 4,800 slaves and 500 tons of goods per year to the Spanish colonies. This new charter gave British traders the virtual monopoly on providing slaves to the formerly closed Spanish markets in the Americas. The *asiento* was not a straightforward contract, however. Disputes over the treaty led to the Caribbean War of Jenkins's Ear (1739) between Spanish and British actors.

Another chartered company was formed in 1711, called the South Sea Company. This company, founded by Queen Anne's chief minister Robert Harley, actually existed primarily to buy British government debt, but it saw the slave trade as a potential avenue to explore in the quest to provide itself with a legitimate trading purpose. From 1713 the South Sea Company held the Spanish *asiento* (the monopoly for supplying the Spanish colonies in the Americas with African slaves), which made it, in combination with the RAC and by extension the British state, the largest slave trader in the eighteenth century. However, its slave trading was conducted through the RAC.

Harley awarded the contract to provide the South Sea Company with 4,800 slaves to the RAC largely because of the close ties between that company's board and the Tory leadership. But the inability of the RAC to keep up with the private traders, and the South Sea Company's failure to pay for the contracted slaves, made the RAC turn to the new Hanoverian monarch, George I, to propose a new approach to African trade: one that considered trade to Africa and the establishment of plantations and commerce with the interior of Africa in place of the earlier focus on slave exports. The appeal to the monarchy was well timed and coincided with both a stock market boom and a chance to finance the new king's debt. The political, economic, and personal connections between the South Sea and Royal African Companies in these crucial bubble years would lead to later accusations that the RAC had participated in the same share-price-inflating tactics and manipulations.

In 1720, under the guidance of its new director, the Duke of Chandos, the RAC restructured its finances to raise funds to cover its existing debts and recapitalise the Company for new pursuits in the African interior. When those schemes failed, it was largely because the RAC vastly overestimated its ability to claim territory or usurp African ownership of the gold mines. Effectively, the only trade that Africans were willing to allow foreigners to control was the slave trade.

The revival of the RAC's fortunes in the 1740s reflected the growing French threat to British African commerce. But it was short-lived, as the private traders made a strong case that any re-establishment of a regulated monopoly would lead to worse financial disasters than had occurred when the South Sea and Royal African Companies had used stock market manipulation to expand their share prices (and the fortunes of their directors).

The RAC continued to operate in an official capacity until 1752. From that point on, the Company of Merchants Trading to Africa took over the operation of the British forts on the coast until they were incorporated under the government of British West Africa (with its capital in Freetown) in 1821. The new Company of Merchants was a regulated body, but not a monopoly. They were responsible for maintaining the forts, but trade was conducted entirely by private traders.

Both African and European individual traders hoped to cut out the middlemen and reduce the infrastructure costs of the old ways of trading: no permanent establishments, no (or greatly reduced) customs payments and taxes for trading privileges. The groups and places that had been shut out of the trade prior to 1752 saw their fortunes increase dramatically over the next 30 years, as the proliferation of independent traders and the growing number of ports involved in the slave trade led to an increase not only in competition but also in the amount of the slave price going directly to the seller.

The political unrest and instability of the early eighteenth century helped to fuel the expansion of the slave trade, but it also threw trading alliances into chaos and undermined the relationships between the trading companies and the African middlemen they relied on. Along some parts of the coast, therefore, new polities had been formed by the mid-eighteenth century to respond to the need for commercial stability. As new African and European political and economic systems emerged, it was clear that Atlantic commerce was crucial to the survival of both. In the eighteenth century the European chartered companies tended to be based out of ports that were controlled by African states in the interior (rather than being capitals in and of themselves). For instance, Ouidah, in modern Benin, was the port for Atlantic trade of the Dahomey kingdom, but its capital was inland, in Abomey. In these port cities, new organisational structures, such as trading guilds or neighbourhood “companies”, emerged. These cities also created a merchant elite that may have been related to the royal authority but which still had a separate power (something that would become very important in the nineteenth-century transitions from the slave trade).

In the Gold Coast, where the RAC had forts at Anomabo and Cape Coast and the Dutch held Elmina, the Fante had emerged by the mid-eighteenth century as the dominant trading partners. Recent research on the Gold Coast slave trade, by Rebecca Shumway, Ty Reese, and others, has emphasised the role of the Fante as important economic actors in shaping and responding to the growth of the commerce in enslaved people.⁴ Their political structure emerged from the wars of the early eighteenth century and was therefore formed by the slave trade in the region and subsequently helped to shape that trade.

In the Bight of Biafra, the Aro expansion of the eighteenth century was the most important factor in the development of this region as an Atlantic commercial hub. The Aro diaspora spread throughout the interior, establishing settlements while maintaining relationships with the “metropole” in Arochukwu in the Cross River.⁵

The Efik were one group that formed a trading guild in the Cross River (in modern Nigeria), called the Ekpe. Antera Duke, a member of the Ekpe guild, kept a diary of his business in the 1780s. As Behrendt, Latham, and Northrup point out in the introduction to their edition of Duke’s diary: “Antera wrote his thoughts at a peak period of trade when Efik merchants, over a three-year period, sold Europeans 15,000 slaves, 500,000 yams, and 100 tons of ivory, palm oil, dyewood, and pepper.”⁶

At the various port cities, such as Ouidah, free trade was enforced by the African authorities. This was obviously in their trading interest, as European competition for captives and for goods would drive up prices. But it was in the interest of the European traders as well, who knew that they would be protected

from attack by the rules of the free ports. So European traders preferred to trade there, even though they would potentially be paying higher prices for the benefit of security from other European powers.

But slave trading was not the only activity that these new elites managed. For instance, in the extended region around Sierra Leone, commercial plantations expanded to provide rice, palm oil, and other staples to feed those engaged in the slave trade, as well as the slaves themselves while they awaited transport. In parts of Nigeria, palm oil began to gradually replace the slave trade as the most important export from the end of the eighteenth century.

Because of the prolonged nature of the trade—which often took up to six months—the British private traders benefited from the protections offered by the Company's forts and their defences. African middlemen living near forts also saw some benefit, as they could make money by offering up their dependents and slaves as labourers in the maintenance of the forts.⁷ They also benefited from the expansion of the trade brought about by these wars and the shifting political landscapes that the European trading presence on the coast caused. In other words, both African and European traders were jockeying for control of trade, with competition between royal and private traders in both contexts encouraging the expansion of the trade. As Pettigrew has argued, it was in fact the debates over the end of monopolies, and the expansion of so-called "separate" traders, that had the biggest influence on the exponential growth of the slave trade in the eighteenth century.

On the commercial side, the private traders were able to operate with much lower levels of investment. They did not need to build infrastructure (they relied on the RAC's and Company of Merchants Trading to Africa's existing infrastructure) and they had no intention of developing relationships with African leaders interested in expanding mining or commercial agriculture. Their capital could be raised on a per-voyage basis—especially by the end of the eighteenth century and into the nineteenth—and they relied on a much more impersonal set of credit relationships than the RAC.

In the evolution of the RAC, in its competition with the French and the Dutch, as well as with the private traders, and in its on-the-ground trading activities, a number of innovations in the practice of Atlantic commerce emerged. The organisational, commercial, and political innovations that resulted in the eighteenth century's African Atlantic commerce would shape the practice of global capitalism in the nineteenth century and beyond. Some of these innovations had more impact in Europe, while others had more impact in the development of African capitalism.

ORGANISATIONAL INNOVATIONS

David Richardson and Robin Pearson have identified the role that Atlantic commerce played in shaping organisational innovations and expanding the commercial networks that both European and African actors were willing to engage with. They identify "more sophisticated forms of internal regulation in domestic stock companies ... material forms of guarantee", and a changing legal and political framework.⁸

The transition from chartered companies to independent traders saw a shift from fort-based to ship-based trade—basically, trade was conducted from the ship, perhaps with the assistance of a resident factor. One consequence of this was that institutional, impersonal forms of guarantee gradually replaced the informal, personal credit relationships that had dominated British overseas commerce in the previous century. The rise of mortgage lending, for instance, was an example of how the expanding

African Atlantic commerce required new instruments in place of the diasporic or family networks that had existed previously.⁹

The commission system was another innovation related to the expanded African Atlantic trade. In this system British merchants acted as agents selling consignments of goods from the West Indies on commission, and then sent out goods from Britain to the planters. The planters did much of this in order to pay for slaves brought over by the RAC. The commissioning houses in Britain, already acting as credit institutions, developed other services as well, including financing and insurance.

ECONOMIC AND COMMERCIAL INNOVATIONS

Two main economic/commercial innovations arose from the African trade: the rise of commercial plantation agriculture reliant on enslaved labour; and the development of new forms of long-term, long-distance credit structure in the City of London.

Commercial agriculture was one of the most important economic innovations associated with the rise of Atlantic African commerce. Its impact on the development of the Atlantic economies of the Americas is very well known, and when people imagine the rise of plantation agriculture in the eighteenth century, it is usually this picture they have in mind. A recent book edited by Robin Law, Silke Strickrodt, and Suzanne Schwarz demonstrates that commercial agriculture was an important part of the West African economy throughout the period of the slave trade.¹⁰ This was because the slave trade required a huge amount of food to keep the enslaved alive while they were being moved to the coast, were waiting in merchants' houses, ships, or forts, and were being transported across the Atlantic.

The commercial agriculture that developed to support the slave trade itself relied on enslaved labour. New plantation agriculture sprang up in the hinterlands of many of the Senegambian and Upper Guinea coastal areas, for instance. Some of this was conducted by groups who wanted to participate in Atlantic trade but who were not interested in slave trading. In other areas, highly centralised states established separate slave villages centred on agricultural production. In Moria, Sumbuya, and Benna—in Guinea—travellers' accounts from the 1780s and 1790s describe slave villages where cotton, salt, and rice were produced for a coastal trade to growing African port areas, as provisions for slave ships, and for export. These villages were separated from free areas. In villages in Senegambia, oral tradition reports that so-called "captive Fulas" were placed in the western part of the village. On both sides of the Atlantic, African commerce was restructuring production modes.

Chandos was correct in identifying the growth of African interior commerce as a crucial source of wealth, and his schemes were pursued after he left the directorship of the RAC in publications by traders such as Malachy Postlethwaite—publications that had a significant impact on the direction of British interventions in African commerce in order to ultimately abolish the slave trade after 1807.

Credit structures were the other important aspect of commercial innovation to arise from the Atlantic imperial trade with Africa. In order to support long-term and long-distance trade and to encourage the growth of slave sales especially in the Caribbean, new forms of credit were created in the London market. Roger Anstey described the capital required for a slaving voyage in late eighteenth century: Dutch: £8,857; British: £8,534; and French: £9,825.¹¹ According to Richardson, "By 1770 credit most likely underpinned the vast majority of slave sales in British America, with the terms upon which slaves were being bought often reaching 12 months or longer."¹²

The rise of separate traders and private trading firms meant that British investors did not have the security that a Royal Charter brought. This was a unique result in the British world, since French and Portuguese trading was still largely run through chartered monopolies. Joseph Inikori has argued that it was the need for long-term credit solutions for the slave trade that drove the development of modern credit financing in the London market. Resident traders in West Africa required large capital development financing; African traders to the interior were trusted with long-term commodity credit; plantation owners were able to finance the purchase of slaves; consumers were able to buy slave-produced commodities on terms of credit.

Inikori has highlighted the role of the slave trade in fundamentally forming the practices of the City of London:

The peculiar credit needs of the British slave trade, and the economics of slavery in the Americas, generated considerable demand for credit that produced profitable opportunities for the creation of credit institutions—opportunities that were greater and more attractive than were ever offered by the pre-existing domestic trade and trade with Europe. Interstate struggles in Europe over the control of the Atlantic economic system also compelled public borrowing which, in England, further stimulated the development of financial institutions.¹³

As Stanley Engerman has written, “over the course of the eighteenth century Britain shifted from being a net importer of capital, primarily from the Dutch, to being a net exporter of capital, primarily to the New World colonies and to the United States”.¹⁴

With exploding demand for African labour to produce the sugar, rum, cotton, and tobacco around the Atlantic from consumers increasingly able to buy on credit, African slave traders were in turn extended more and more generous terms of credit. They were given goods on extended terms—often six months to a year—to go into the interior and trade for slaves. The collateral was typically a pawn (usually kin, who could be enslaved should the trader fail to return with slaves). One trader described the process, which lasted well into the nineteenth century:

When a ship is going down the coast, they leave the goods on shore: and when she comes back, they are paid in palm oil; and sometimes, of late, when the ship has a small quantity of goods remaining, they have left it with the natives to be paid the next voyage.¹⁵

As described by Richardson and Pearson: “In ... Bonny in the Bight of Biafra, which emerged as the largest single port servicing British slave ships in Africa from 1730, credit protection became associated with still other—and more impersonal—mechanisms.” In Bonny, for instance, the *amanyanabo* (military leader) became the ultimate authority in the regulation of external trade, including settling disputes over debts. Traders here also used letters of recommendation inscribed on ivory bracelets or disks. As security and advancement of credit by British traders expanded throughout the Atlantic world, it relied on hybrid systems, formed in conjunction with indigenous credit practices and with newly emergent business practices. As Pearson and Richardson demonstrate, “the more impersonalised, state-regulated systems of Bonny [were] apparently associated with faster loading rates and much higher levels of slave exports than those tied to other more personalised and decentralised ones linked to kinship.”¹⁶

In Ouidah, credit and debt worked both ways. Europeans landed goods for African slave traders—sometimes amounting to the value of 70 slaves. Africans, meanwhile, accepted promissory notes to be settled for the goods that made up the trading currency of the coast when the European ships were set to leave at the end of the season.¹⁷

CREDIT CRISIS

The over-extension of lines of credit all along the Atlantic supply chain was an important factor in driving the turn away from the slave trade in all the participating markets. In a discussion of the relationship between capitalism and the development of humanitarianism, John Ashworth has argued of the burgeoning anti-slave trade movement that its proponents sought “a rigid separation between those areas of life where the market could rule and those where it was forbidden”¹⁸ and Philip Gould sees anti-slave trade writings as expressly defining acceptable and unacceptable (or “barbaric”) commerce. The anxieties about overconsumption and dependency were certainly amongst the catalysts for the British and American anti-slave trade movements. In the Gold Coast, Ty Reese has noted that luxury imports so glutted the market that there was inflation and a real wage decrease as a result since people were paid in goods.

In 1789-1791, the emergence of an Islamic “revival” in the state of Moria, in the hinterland of Freetown, centred on “cleansing and correction” and led by the Mandingo religious leader, Fatta, shared much in common with the providential movements and evangelical revivals of Britain and North America in the period. A similar revolution occurred in Futa Toro on the Senegal River beginning in 1776. These revolutionary states at least temporarily resolved not to participate in the Atlantic slave trade anymore, though like France and America, they found that their economies really did need slave labour to continue, since the new leaders needed the credit and income to keep their armies functioning.

POLITICAL INNOVATIONS AND ECONOMIC IDEOLOGY

This leads neatly into the last of the forms of innovation that contributed to the development of modern capitalism: political economic thinking. Aside from the role of a late eighteenth-century credit crisis in provoking new thinking about the economic morality of the slave trade, the African Atlantic trade had a more fundamental role to play in the development of economic ideology. Pettigrew has identified the arguments over political support for the RAC as critical to the development of the idea of “economic freedom” and free trade ideology. The ability to participate in Atlantic trade ultimately became a “right” to participate in Atlantic trade, and the “right” to free trade became enshrined in eighteenth-century British economic ideology.

The eighteenth-century African trade led to innovations in economic ideology around the Atlantic world, largely as a result of the growth in opportunities for profit and the complex credit structures required for the trade. Complex credit arrangements required more than just partnerships, or family networks. They required more impersonal innovations that ultimately had an influence on the way that commercial relationships were viewed as impersonal and individual, rather than familial and personal. Growing opportunities for profit and for reinvestment of profits from other forms of global trade meant that more people wanted access to foreign markets. Ultimately, this resulted in a growing class of individuals interested in challenging the chartered company monopolies of the seventeenth- and early eighteenth-century model of overseas capitalism.

CONCLUSION

In the early decades of the nineteenth century, the slave trade from Africa north of the “Line” (the southern boundary of Missouri) was legally abolished, though its continuation in practice was the target of repeated European and American campaigns throughout the mid-nineteenth century. But many of the commercial practices that had been formed and refined during the eighteenth century continued to shape the political, economic, and organisational relationships between various Atlantic actors. The continuities—in personnel, in trading practices, in locations—all reflected the durability of the impersonal, institutional, long-distance arrangements that had been developed and refined by both European and African actors in the eighteenth century.

Much of the struggle between European and African merchants was over who would act as the middlemen in trade. Controlling the right to trade—regardless of the goods or people being traded—was crucial to the ability to profit in African trade. Not unlike the problem faced by West African economies reliant on commodity exports today, the ports with the lowest trading fees were preferred, and leaders who could access even some amount of custom payment were happy to compete with the stronger governments who demanded higher payments and whose ports were ultimately boycotted or blockaded by the European forces.

Similarly, levels of credit and loans were extended in the eighteenth and nineteenth centuries in ways that challenged the long-term economic viability of Atlantic commerce for African states. With “pawns” as collateral during the slave trade and, ultimately, property as collateral in the nineteenth century, traders seeking those very resources had few qualms about overextending credit.

The eighteenth century was a formative century in the establishment of British overseas trading innovations. And, as we have seen, these were the result of political and economic transformations in Britain; of interactions between the various European trading companies and traders; and of the actual political, economic, and commercial situation on the ground in Africa.

REFERENCES

1. Stanley Chapman, *Merchant Enterprise in Britain* (Cambridge, 1992), 5.
2. Library Company of Philadelphia, *Merchant of Africa, A Treatise upon the Trade from Great-Britain to Africa* (London, 1772), 5.
3. William Pettigrew, *Freedom's Debt* (Chapel Hill, 2013).
4. Rebecca Shumway, *The Fante and the Transatlantic Slave Trade* (Rochester, 2011); Ty Reese, "'Eating' Luxury: Fante Middlemen, British Goods, and Changing Dependencies on the Gold Coast, 1750–1821", *William and Mary Quarterly*, 66, 4 (2009).
5. G. Ujo Nwokeji, *The Slave Trade and Culture in the Bight of Biafra* (Cambridge, 2010).
6. Stephen D. Behrendt, A. J. H. Latham, and David Northrup (eds), *The Diary of Antera Duke, an Eighteenth-century African Slave Trader* (Oxford, 2010), 4–5.
7. Ty Reese, "The Drudgery of the Slave Trade: Labor at Cape Coast Castle, 1750–1790", in Peter A. Coclanis (ed.), *The Atlantic Economy during the Seventeenth and Eighteenth Centuries* (Columbia, SC, 2005).
8. Robin Pearson and David Richardson, "Social Capital, Institutional Innovation and Atlantic Trade before 1800", *Business History*, 50, 6 (2008), 767.
9. Pearson and Richardson, 773.
10. Robin Law, Silke Strickrodt, and Suzanne Schwarz (eds), *Commercial Agriculture, the Slave Trade and Slavery in the Atlantic World* (James Currey, 2013).
11. Roger Anstey, *The Atlantic Slave Trade and British Abolition, 1760–1810* (Cambridge, 1975), 5–6.
12. Pearson and Richardson, 770.
13. Joseph Inikori, "The Credit Needs of the African Trade and the Development of the Credit Economy in England", *Explorations in Economic History*, 27 (1990), 199.
14. Stanley Engerman, "Mercantilism and Overseas Trade, 1700–1800", in R. Floud and D. N. McCloskey (eds), *The Economic History of Britain since 1700* (Cambridge: Cambridge University Press, 1994).
15. G. C. Redman, 1842 as cited in C. W. Newbury, "Credit in Early Nineteenth Century West African Trade", *Journal of African History*, 13, 1 (1972), 84.
16. Pearson and Richardson, 770.
17. Robin Law, *Ouidah: The Social History of a West African Slaving Port, 1727–1892* (Athens, OH, 2004), 133–5.
18. John Ashworth, "The Relationship between Capitalism and Humanitarianism", *American Historical Review*, 92, 4 (1987), 824.

AFTER THE CRASH AND BEFORE THE WAR: CULTURE AND SOCIETY IN EUROPE IN THE 1930s

by Philipp Blom



This essay is an exploration of the interwar era, not from an economic point of view but from a cultural one. It is an investigation of how the enormous event of the First World War affected Europe; what repercussions and echoes it had in the cultures and societies of the time. Since this is a very brief analysis, let us revisit the time before the First World War. We often read about it, see it in movies, and hear about it as a Golden Age; an age of tranquillity and security, a sort of Merchant Ivory version of history. Well, the people who lived through that time, from 1900 to 1914, would have been tremendously surprised to hear that it was “the good old days”. When you read their diaries and letters, they describe a world that is exploding. They describe a world in which technology is changing by the day, in which cities are doubling in size, in which for the first time in human history more people live in cities than in the countryside. If you consider that the indices showing a country’s economic growth are generally considered good when they stand at around 2 or 3 percent, and then compare that to Western Europe at the turn of the twentieth century, when 10 percent was not all that extraordinary, we can see that these were very different times. There was an explosion of mass culture and modernity. Industrial modernity in particular really bit deep into societies and affected not thousands or hundreds of thousands of people, but tens of millions.

Industrial modernity had many fascinating consequences that I will not elaborate on here, but it did something very strange and changed one relationship above all others: the relationship between men and women. Why so? Because in a modern society there is no longer any structural need to treat women differently to men. Women at the time were aware of this, and the first two decades of the twentieth century give us the most exciting feminist writers, whose arguments did not surface again until the 1970s. Many men also felt the pressure: the pressure of living in a modern society in which everything is up for grabs, in which everything is up for negotiation, and in which there is no longer any traditional set authority. This provoked not only a feminist revolution, but also a huge intensification and increase in what historians call “rituals of masculinity”. There were more duels fought in civil society than ever before, men sported better waxed moustaches, people went around in uniforms, and it was the time of the first body-building craze.

Why is this important here? For millions of men, of young men in particular, when war came in 1914, it was an opportunity—expressed in their diaries, in their poems, in their letters home—to reassert and re-find their masculinity; they could be real men again with sabre in hand, facing an opponent and looking him straight in the eye, fighting man to man. This at least was the fantasy. The reality looked very different and the discrepancy is really important.

MECHANISED WARFARE

In the Franco-Prussian War of 1870–1, nine out of ten soldiers—90 percent—died from wounds received in direct hand-to-hand combat, from sabre, bayonet, or pistol. In the First World War, 3 percent of soldiers on the Western Front died in this way. Many died from illnesses, but an enormous number were simply blown to pieces while sitting in a trench and waiting for something else to happen. Now imagine what that meant psychologically and culturally. These men had gone in their millions to fight for something—for king and country, for the fatherland, for *la république*—and they found that they had been integrated into a machine of entirely random killing. The Western Front was by no means the only front of the First World War, it wasn't even the deadliest, but it is the one that left the deepest marks on European cultural history. On the Western Front, particularly from 1916, something changed. We all know the stories of idiotic generals sending cavalry to fight against machine guns, but this only happened for a very brief period: the generals were not as stupid as all that, they saw that the war had changed. Very, very quickly fighting became fully mechanised, especially from the time of the Battle of the Somme in July 1916. It was now war like never before: soldiers were not fighting other soldiers, they were fighting against poison gas, against tanks, against artillery cannon—against machines that were far bigger than them, machines that could fire projectiles over 30 miles and kill them. It was no longer an equal fight.

During the interwar period there was a reaction to fully mechanised warfare and all that came with it. Central to society and culture was a re-evaluation of the story of man and machine. This reaction to warfare was something new. Everybody knew of soldiers who could not forget the faces of those they had killed, but here were soldiers shattered by the constant noise, the constant danger, the constant misery of their lives at the front during a faceless, impersonal war. There is some very moving original footage of shell-shock victims in England available online. They literally broke down, shaking convulsively and unable to stop. At first, during the war, they were shot as cowards, but when there were tens of thousands of such cases, the medical profession finally began to see it as a real problem and to treat them as patients.

MAN AND MACHINE

One might say that the entirety of Europe was in shell shock after the First World War; not only because so many young people had died, or because the war had been particularly cruel, but because in the end nobody could really explain what people had been fighting for. All the great ideals that people had supposedly been fighting for appeared to be merely political rhetoric that left a very empty feeling. It also left a lot of veterans on the streets: men who had lost limbs or half their faces—often quite literally part man and part machine because of the prosthetic limbs they were wearing. This emerges as a recurrent theme in art, for instance in the work of Georges Grosz and Otto Dix, or, in England, in Jacob Epstein's *Rock Drill* sculpture.

Where does the machine end and the person start? Artists in this period began to pose this question in their work. The investigation intensified during the interwar period and continues today: how much are we changed by the use of smart phones? How much are we changed by the use of retinal implants or artificial organs? When will computers finally become more intelligent than we are? We ask ourselves these questions today; the interwar years mark the point when these questions were first raised.

The film *Metropolis*, produced in 1926, is a remarkably bad film—although it is still celebrated as a masterpiece—because its maker, Fritz Lang, was not remotely interested in the plot. He was interested in the special effects, and he created some of the greatest and most exciting special effects of his day. The story is one that reads as if it is desperately overdue for a Hollywood remake: the story of the happy one percent living on top of the benighted and exploited 99 percent, who have to work in huge factories underground in order to finance the luxurious lifestyle of the few.

Metropolis lays on its metaphors rather heavily to illustrate the malevolence of technology. Once again there is a crossover between the organic and the mechanical. The workers have to work at a heart machine, which of course devours workers. A sort of messiah figure, a woman, is set in front of them, and when they finally want to rebel, this figure is exchanged for a robot. The robot is there to lead them to their perdition.

This is also the time of a cinematic remake of a story written at the beginning of the nineteenth century by Mary Shelley, author of a little novella called *Frankenstein*. The rights were bought and an English actor—Henry Pratt, otherwise known as Boris Karloff—was cast in the role of the monster. Nobody who had seen veterans of the First World War could fail to notice the analogy of the doctor working at an operating table, patching together a human body out of body parts and resuscitating it to ghastly mechanical life.

However, the key sentence comes from *Metropolis*—ironic because it is a silent film. The Faust-like inventor who builds the robot has a prosthetic hand—a clear echo of all the veterans with prosthetic limbs. Asked how he got his prosthesis, he lifts up his hand (it is an expressionist film, so there is of course a huge shadow of it on the wall behind him), and the intertitle reads, “What is it to lose a hand against the chance to create a new man?”

THE NEW MAN

Surprisingly, this idea became Western culture’s answer to the trauma of the war. (Much the same can be said of the United States, though here I am concentrating on Europe.) The reign of the machine, the power of the machine, could not be broken by men as they existed, because they were effectively already redundant. Instead, only a new kind of human being, engineered to perfection and superior to modern humanity, could master the machine. This ideal came in two different, shall we say, “flavours”.

There is fascist new man, who is basically a very old man. Humanity was apparently in such a muddle because it was so diluted and polluted by different influences that only by returning to the essential quality of one great race could man regain his dominance over history. Hitler’s racial programme was to bring humanity—or at least Germanic humanity—back to a state in which it had never been, but which was imagined and represented to the public as real. This new man was the product of a lot of badly construed Nietzsche. He was stronger, prouder, more intelligent, fiercer, and more remorseless than anything before. He would sweep aside all cultures, and indeed all culture, in front of him and create a new world.

Despite the antagonism of competing ideology and rhetoric, if you had gone to Berlin in the dead of night and taken down a statue of their great muscly new man, flown it to a square in Moscow, and erected it secretly, people waking up in the morning would scarcely have known the difference. Socialist new man looked exactly like fascist new man—he was just as muscly and strutting and strong. There was

a difference, however. Whereas fascist new man sprang from some romantic imagination of Nietzsche and essentialism, socialist and communist new man was a machine. He was very explicitly meant to be so. In the Soviet Union there was an institution, run by a visionary labour theoretician named Alexei Gastev, in which workers were literally strapped to contrivances that taught them to make the right mechanical movement again and again in the most efficient possible way in order that they should be as similar to machines as possible. They were put into houses that were—using Le Corbusier’s phrase—“machines for living”. Visionaries devised plans for their daily lives that were planned to the last minute, right down to when they could digest their food and when they could have an hour of free time. Society was a machine and the ideal individual was a machine within it.

This is only the merest indication of a very great theme. It may look as if there are lots of parallels between then and now. The relationship between man and machine (although now we say “humanity” in place of “man”, for good reasons)—our relationship to the mechanical, the electronical—is one of the greatest themes facing us in the next decades. We have no idea how it is going to develop. This is not so much a parallel as a continuation of the same story; it is a continuous intensification.

EUROPE’S SECOND THIRTY YEARS’ WAR

Finally: a footnote that addresses the economic pivot on which the culture and society of this period rests. In 1938 a young artist asked the French politician Paul Deschanel, who had been involved in the negotiation of the Versailles Treaty, what he thought of it. Deschanel answered, “Nous venons de signer la Deuxième Guerre Mondiale”—“We have just signed the Second World War.” He was not the only one to realise that the treaty bought time but was not a resolution of anything. This produced a very unsettling dynamic. Indeed, economically (if not morally) speaking, to weaken the central economy in Europe to such an extent that no institutions, democratic or otherwise, and thence no stable economy, could take root, was a recipe for disaster. It gives credence to what some historians say: that the interwar years were in fact Europe’s second Thirty Years’ War. The peace time was in no way a time of peace. There were coups d’état, there were violent revolutions. In Germany alone, between 1918 and 1923, 5,000 people were killed through political violence; today we would call this a civil war. It led to the Spanish Civil War. There was never peace as such.

Hope of peace and stability started to blossom in the late 1920s as political unrest began to subside; economies were stabilising and societies were showing signs of optimism again. However, all this crumbled in the Wall Street Crash of 1929. After that there was no longer any hope. It was perfectly clear to most people—at least to those who were at all farsighted—that the degree of destabilisation, the level of mitigated functioning statehood resulting in so many countries, would mean that the ideological differences in this world would take over. It was abundantly clear from that point that the result could only be catastrophe.

HAPPY DAYS: BRITAIN'S NOT SO GREAT DEPRESSION

by Stephen Clarke



For many, Britain in the 1930s is the age of the Jarrow Marchers, Orwell's *The Road to Wigan Pier* (1937), and the darkening clouds of fascism. However, there is another side to the decade. GDP grew, in real terms, by an average of 2.14 percent in the 1930s, and by an average of nearly 4 percent between 1934 and 1940.¹ As a result, the 1930s was also the age of the vacuum cleaner, the motor car, and the cinema—a time when consumer spending and the middle class grew.

Given these two possibly conflicting narratives, the Legatum Institute invited an expert panel and distinguished guests to examine Britain's economic performance in the 1930s and discuss what lessons the decade has for today's policymakers. Scott Urban, an expert on international finance at Hertford College, Oxford, moderated.

To understand Britain's particular economic performance in the 1930s, explained Olivier Accominotti, Associate Professor of Economic History at the London School of Economics, is to enter the debate about the causes and ramifications of the Great Depression in general. Friedman and Schwartz provide one of the earliest, and certainly one of the most influential, interpretations of the Great Depression.² They outline how monetary contraction and bank failures were responsible for the magnitude of the economic slump. However, their work looked only at the United States. Since the 1980s scholars have looked for a common cause for the Great Depression. Eichengreen's seminal work explains how the gold standard and the international monetary framework that existed in the 1930s transmitted deflationary pressure across the globe.³ As a result, not only America but a host of other countries saw deflation and severe economic contraction during the period.

This was the point of departure for Nicholas Crafts CBE, Professor of Economics and Economic History at the University of Warwick, to explain why Britain's experience of the 1930s differed from that of America and many other European countries. Reflecting on his own extensive research and that of other scholars,⁴ Crafts was clear that Britain did not experience a "Great Depression". Britain's downturn was relatively short and mild: real GDP had returned to its pre-crisis (1929) peak by 1934, and the economy had grown by 18 percent by 1938. By contrast, US real GDP remained below its pre-crisis peak until 1940,⁵ and that of the Gold Bloc countries remained below pre-crisis peak until 1938.⁶ Indubitably Britain's downturn was of a different magnitude to that felt by the US and other countries.

Why did Britain not share the bleak fate of many other countries? Britain's departure from the gold standard in September 1931 proved to be the decisive factor. This departure and subsequent devaluation allowed the country to regain



control of monetary policy. This in turn allowed the Treasury to pursue a “cheap money” policy aimed at increasing the price level, thereby reducing real interest rates. This stimulated the economy, particularly the housing market—Crafts showed that over 290,000 houses were built without state assistance in 1935 alone.

Nevertheless, in some respects Britain’s economy performed poorly in the 1930s. Tobias Straumann, Professor of Economics at the University of Zurich, and Nicholas Crafts both pointed out that, while the country did not experience deflation on the scale of other countries, in 1938 the price level remained below its 1929 peak. Most damagingly, the country witnessed high levels of unemployment. Nationally, unemployment peaked at 17 percent in 1932, but in some regions high levels persisted throughout the decade. In 1937 unemployment remained 14 percent in the North West, 16 percent in the Scotland, and 23.3 percent in Wales. By contrast, in London the level was only 6.4 percent. In many respects the regional disparities that exist today were already apparent in the 1930s and explain why, for some, the decade is still seen as one of deprivation and hardship.

Frank Twydale Dear’s housing design for Streatham Garden Village which was originally planned for workers of United Dairies, 1922.

Source: Royal Institute of British Architects.

The discussion of Britain and the Great Depression is timely. The world we inhabit today is one that has recently endured—and some countries continue to endure—a wrenching economic contraction. Moreover, the economic levers politicians and central bankers have at their disposal are being questioned, much as they were in Britain in 1931 when the country left the gold standard. The Great Depression was also perhaps the world's first “global” depression, when the economic links between countries played an important part in transmitting the contraction in output. International co-ordination of economic policy (or the lack of it) was a key issue at the time. It continues to be a critical issue today, most prominently in the Eurozone.

There are distinct parallels, when it comes to the co-ordination of economic policy and the travails of the Eurozone, between events in Europe in the Great Depression and in the recent recession. Aceminotti and Eichengreen show that both in the 1920s and 1930s and in the 2000s, debtor countries saw huge capital inflows followed by outflows.⁷ Between 1925 and 1932 Austria, Germany, and Hungary (AGH) saw private and official capital inflows of around 4 percent of GDP per annum. Similarly, between 2004 and 2008 Greece, Ireland, Italy, Portugal, and Spain (GIIPS) saw inflows of a comparable magnitude. In 2011 the GIIPS saw private capital outflows of around 8 percent of GDP, while in 1931 the AGH saw outflows of around 4 percent of GDP. The central difference between these two periods is the support available to the debtor countries. In 1931 official inflows were not enough to offset the private capital loss, whereas post-2008 official inflows provided greater insurance to the embattled Eurozone countries.

Nevertheless, the problems in the Eurozone continue, and here the seminar drew parallels between the gold standard and the euro. Urban has shown in his work that under the gold standard many countries opposed a nominal depreciation of the exchange rate.⁸ Today the Eurozone countries cannot, or will not, countenance a nominal depreciation because this would involve leaving the Eurozone. Therefore they must pursue an “internal” devaluation to push down costs in an attempt to regain competitiveness or countenance capital controls so that they can retake control of fiscal and monetary policy. Capital controls were briefly introduced in Cyprus and continue to be used in Greece. In the Great Depression robust growth only returned to countries once they had left the gold standard and regained control over their monetary policy. Policymakers need to reflect on whether many Eurozone countries can properly recover without a nominal depreciation of their currency: would leaving the Eurozone, like leaving the gold standard, be the best course of action?

The Great Depression struck a blow to orthodox economic thinking. The gold standard was perhaps the most famous example of the orthodoxy that existed at the time, but there were others too. Middleton explains that in the 1930s British economic policy broke from the past: tariffs were imposed, the exchange rate devalued, and eventually the government adopted a looser fiscal stance.⁹ In all these cases change went against the prevailing orthodoxy, for good or ill. On September 3, 1931, not long before the departure from the gold standard, a UK cabinet memo stated: “It would be difficult to devise a measure that would give a greater shock to the world’s trade and credit than departure from the Gold Standard.”¹⁰

Similarly, the imposition of tariffs in 1932 went against the free-trade orthodoxy that had dominated British economic and foreign policy since the nineteenth century, and the 1920s and 1930s saw the beginnings of industrial policy in Britain. Cartels were encouraged and industries protected from foreign competition:¹¹ policies similar to those pursued in other countries with similarly little positive effect.¹² What did not change until later in the decade was the government’s commitment to running balanced budgets. One effect of exiting the gold standard was that balanced budgets were seen as more important than ever in safeguarding the value of sterling. This changed in 1937 when rearmament spending resulted in a looser fiscal policy.



Severe economic upheaval in the 1930s resulted in questioning of accepted economic theories. Today we witness a similar phenomenon. In the wake of the recent crash there was a reaction against the “neoclassical orthodoxy”, but more interesting have been discussions about how economic policy should be conducted in a world of low interest rates (the zero lower bound), low growth, and, in some countries, high public and private debt burdens. One contentious point during the seminar was whether the change in British economic policy in the 1930s constituted a “regime change” that was consciously brought about by the British government. Crafts argued that the Treasury took explicit control of monetary policy and instituted a “cheap money” policy that convinced the markets that they were serious about raising the price level. Given the country’s significant debt stock (158.4 percent of GDP in 1929), it was in the Treasury’s interest to bring down the debt burden by raising the price level. As a result, inflation expectations were raised and both nominal and real economic growth ensued.

Does Britain’s success hold lessons for countries such as Japan, which have been trying to raise inflation expectations for nearly two decades? Straumann was not convinced, noting that regime change is a lot harder to effect than it may appear

Publicity photo of Charlie Chaplin for *Modern Times*, 1936.

in hindsight. Although notionally independent, there has been a great deal of political pressure put on the Bank of Japan to raise the price level, and a great deal of monetary stimulus, with (so far) very little effect. Two more radical solutions were discussed. The Bank of Japan (and possibly other central banks facing economic circumstances similar to those in Japan) might adopt an explicit nominal GDP (NGDP) target. This idea has been proposed by Scott Sumner, among others.¹³ The central bank would target a certain level of nominal GDP at a specified date, remaining neutral as to whether that target was achieved through inflation or through real growth. The goal, however, would be to ensure that positive and negative shocks to real growth were appropriately addressed by monetary policy. Given low growth in real and nominal GDP, NGDP targeting could constitute a necessary regime change.

A second, arguably more radical, policy change would be to entrust monetary policy to the finance departments rather than the independent central bank. This would signify a reversal from the current orthodoxy, but would replicate the situation in Britain in the 1930s. The explicit politicisation of monetary policy is not something that has been widely suggested. Yet in his recent book Adair Turner, a member of the UK's Financial Policy Committee, argues that central banks should monetise the debt and stimulate domestic demand by giving newly printed money to households or businesses.¹⁴ This would be a radical and controversial break from the past—in effect, a regime change. Furthermore, given the significant political pressure placed on organisations such as the Bank of Japan, it remains a moot point whether de jure authority would have any more effect than the de facto power some politicians already hold over monetary policy. Nevertheless, if more countries experience decades of low or no growth, such radical suggestions may gain greater traction.

To return to the initial paradox: it is clear that the 1930s was not a decade of economic woe for Britain, though high growth in some areas was offset by high unemployment in others. It is therefore simplistic and lazy to define the decade by its bleakest elements. The decade was one of profound change as economies and economic thought responded to the Depression. While it was the decade of Orwell, it was also the decade of Keynes, and the decade that brought fame to Friedman. It was the decade when some people trooped on hunger marches, but many also trooped to see Hitchcock's film *The 39 Steps* (1935). The decade provides a warning and a lesson for today's policymakers. It is a warning to learn from history—for many, the 1930s represented a failure to learn from the mistakes of the 1910s—and a lesson to embrace innovative ideas when faced with new challenge.

REFERENCES

1. Bank of England, *Three Centuries of Macroeconomic Data*. Available at: www.bankofengland.co.uk/research/Pages/onebank/threecenturies.aspx.
2. M. Friedman and A. J. Schwartz, *A Monetary History of the United States, 1867–1960* (Princeton University Press, 1963).
3. B. Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939* (New York: Oxford University Press, 1992).
4. N. Crafts and P. Fearon (eds), *The Great Depression of the 1930s: Lessons for Today* (Oxford University Press, 2013). R. Middleton, "The Constant Employment Budget Balance and British Budgetary Policy, 1929–39", *Economic History Review*, 34, 2 (1981), 266–86.
5. Bureau of Economic Analysis, *US Economic Accounts*. Available at: www.bea.gov.
6. The Gold Bloc countries are Belgium, France, Italy, Netherlands, and Switzerland; all of these stayed on the gold standard until autumn 1936, apart from Belgium, which exited in March 1935.
7. O. Accominotti and B. Eichengreen, "The Mother of All Sudden Stops: Capital Flows and Reversals in Europe, 1919–32", NBER Working Papers, 19580.
8. S. Urban, "Policy Options for the Euro: Heterodoxy Ahead", *Journal of Common Market Studies*, 52, 4 (2014).
9. R. Middleton, "British Monetary and Fiscal Policy in the 1930s", *Oxford Review of Economic Policy*, 26, 3 (2010).
10. Urban, op. cit.
11. N. Crafts, "Returning to Growth: Lessons from the 1930s", *Competitive Advantage in the Global Economy (CAGE)*, Warwick University (2013).
12. P. Rosenkranz, T. Straumann, and U. Woitek, "A Small Open Economy in the Great Depression: the Case of Switzerland", University of Zurich Department of Economics Working Paper No. 164.
13. S. Sumner, "The Case for Nominal GDP Targeting", Mercatus Center, October 23, 2012. Available at: mercatus.org/publication/case-nominal-gdp-targeting.
14. A. Turner, *Between Debt and the Devil: Money, Credit, and Fixing Global Finance* (Princeton University Press, 2015).

HOW CHURCHILL LEARNED TO LOVE THE FREE MARKET

by Andrew Roberts



The personal odyssey that brought Sir Winston Churchill from left to right in economics—from an architect of the welfare state in 1906 to a passionate advocate of the free market in 1945—is one of the less studied aspects of a career that has otherwise been subjected to the steady glare of history’s limelight. For in a career that spanned over 60 years, Churchill discovered for himself that collectivism simply does not work, and he had the courage to act accordingly. On issues such as the nationalisation of the railways, which he supported in 1919 but vigorously opposed in 1946, he changed his mind, because he had come to learn from personal and political experience that state control of enterprises, large and small, is usually a disaster.

Churchill started life as a paternalist, a true believer in his father Lord Randolph’s philosophy of Tory democracy. In the very first political speech of his life, at Claverton Manor in Bath at the age of only 22, he stated: “The British working man has more to hope for from the rising tide of Tory Democracy than from the dried-up drainpipe of Radicalism.” Later on in his career one could exchange socialism and communism for the word “Radicalism”.

Churchill’s father Lord Randolph had died only two years before that maiden speech, and as the inventor of the concept of Tory democracy, even posthumously he was to have a powerful influence on his son. As Chancellor of the Exchequer in the 1880s, Randolph had attempted to put into practice ideas that stemmed from Benjamin Disraeli’s Young England philosophy that sought to prise the working man away from the mantras of the left. This project came to a sudden halt when he threatened resignation from the government of Lord Salisbury in December 1886 and was unexpectedly taken up on his offer. Nonetheless, his principles were almost osmotically absorbed by his son Winston.

“I was brought up to believe”, Winston Churchill stated in October 1949, “that trade should be regulated mainly by the laws of supply and demand and that, apart from basic necessities in great emergencies, the price mechanism should adjust and correct undue spending at home, as it does control spending abroad.” He was brought up to believe this by his father, whose speeches he attended whenever he could when he was young and studied intently after his father’s death, when he wrote his biography.

The Young England and Tory democracy philosophies were by no means libertarian—indeed, they were profoundly paternalist by modern standards—but they were not quasi-socialist either, and Churchill rightly defined himself as a passionate anti-socialist throughout his life. Nonetheless, in early life he readily accepted the role of the state in some areas of public life.



“There are some things which a government must do,” he said in the Free Trade Hall in Manchester in February 1904, “not because the government would do them well, but because nobody else would do them at all.” By October 1906 he declared that he was “of the opinion that the State should increasingly take the position of the reserve employer of labour”, which is the furthest left he ever got, but which was not followed by anything concrete in terms of policy. It was also during this period that he flirted dangerously with ideas of land taxes.

While in the Liberal Party, which he joined in 1904 after the Conservatives embraced protectionism in the shape of Imperial Preference, he stayed very focused on where liberalism ended and socialism began. “Socialism would kill enterprise,” he declared in Dundee in May 1908. “Liberalism would rescue enterprise from the trammels of privilege and preference. Socialism assails the pre-eminence of the individual; Liberalism seeks ... to build up the minimum standard for the mass. Socialism attacks capital; Liberalism attacks monopoly.” It is clear, therefore, that Churchill was an adherent of the Gladstonian, or classical, form of liberalism, a far cry from the much more left-leaning British Liberal Democrats of today.

Winston Churchill (1874 –1965)
Photographer unknown, 1900.

Source: Imperial War Museums. Ref:
Q113382. www.iwm.org.uk/collections

Free trade was the defining issue between and within Britain's political parties of the first quarter of the twentieth century, and Churchill was a committed supporter of it. It ripped the Conservative and Unionist Party apart, causing it to lose the 1906 election to a Liberal landslide. "It is the theory of the Protectionist that imports are an evil," said Churchill in 1904:

He thinks that if you shut out the foreign imported manufactured goods you will make these goods yourselves, in addition to the goods you will make now, including those goods which we make to exchange for the foreign goods that come in. If a man can believe that he can believe anything. We Free-Traders say it is not true. To think you can make a man richer by putting on a tax is like a man thinking he can stand in a bucket and lift himself up by the handle.

Even after the Great War, with the ruptures that it caused to the international economic system—with German reparations, American loans, and massive dislocations—Churchill remained an unrepentant free trader. "Let us begin by asking ourselves a simple question," he declared in the Free Trade Hall in Manchester in November 1923:

Has Free Trade served this country well or ill? Has it been proved a failure in peace or war? Surely nothing has been more remarkable than the gigantic financial, commercial and economic strength of this island of ours, revealed in the great struggle and tribulation through which we have passed. We are the only nation in the whole world which has borne the burden we had to bear without breaking. From the first day to the last day of the war the iron strength of this country sustained the whole Allied cause.

Churchill's support for free trade was ultimately driven by the Tory democracy idea that it meant cheaper food for the working man, and so it proved.

It was this concern for the ordinary working Briton, whom he did not want to fall into the clutches of organised labour or socialist politicians, that led Churchill to adopt German ideas for a minimal social safety net. Otto von Bismarck originally invented the concept of the welfare state, largely as a cynical way of outmanoeuvring his opponents on the left. The Asquith ministry of 1908–16 wished to protect itself from the Labour Party's accusation that it was doing nothing for the poor, the unprotected, and the underprivileged, but there was a moral impetus too. Winston Churchill defined the thinking, or at least the emotion, behind the Asquith government's extension of national insurance and old age pensions, the twin pillars of the early welfare state, in a speech to the Free Trade Hall in Manchester in May 1909, when he said:

I think it is our duty to use the strength and resources of the State to arrest the ghastly waste not merely of human happiness but of national health and strength which follows when a working man's home which has taken him years to get together is broken up and scattered through a long spell of unemployment, or when, through the death, the sickness or the invalidity of the breadwinner, the frail boat in which the fortunes of the family are embarked founders, and the women and children are left to struggle helplessly on the dark waters of a friendless world.

When it began, the welfare state was therefore seen solely as a last-chance safety net for those honest upstanding workers who, through no fault of their own, faced utter penury and destitution due to unforeseen downturns or accidents. It was certainly never intended by Churchill or anybody else at the

time to take care of the young and able-bodied but feckless or workshy in a period of high employment, as it subsequently became and remains today. The first old age pension was only one to five shillings per week for those over 70 who did not have an income of 12 shillings a week, so it was heavily means-tested. Under the 1911 National Insurance Act, workers paid fourpence a week for unemployment assistance should they be laid off.

This system took the place of the old, discredited Poor Law and was pretty much the bare minimum that the Liberal Party could get away with, considering they were increasingly being threatened on the left by the nascent Labour Party, which had come into existence in 1899 and was threatening the Liberals in their urban strongholds. Churchill's original welfare state—a phrase that did not even come into existence until the 1940s—was thus a world away from the all-consuming welfare state of today, which encourages dependency on government handouts, creates a benefits gap that in the opinion of many actually discourages work, and provides an army of voters for whichever party—invariably the socialists—who will promise to pay the largest amount in benefits for the smallest number of obligations.

It might well be argued that Asquith, the prime minister, and Lloyd George, the Chancellor of the Exchequer, as well as Churchill himself, ought to have seen the way that the welfare state would go, gobbling up ever larger amounts of money, constantly extending entitlements, wasting taxpayers' hard-earned cash, and so on. Yet the really expensive extensions of the welfare state—to the point that it started seriously to impede the ability of private enterprise to deliver progress, wealth, and security to the Western nations that embraced it—were to come very much later and not from the Liberal or Conservative parties. Asquith's welfare state was the kernel from which it all grew, it is true, but in and of itself it was merely a plan to save innocent people from ill-deserved destitution. The way it was later cynically employed by power-hungry politicians cannot be placed at the door of the Asquith ministry, and the shades of Asquith, Lloyd George, and Churchill must be revolted at the way their honourable schemes have been deliberately twisted into today's gigantic Ponzi schemes, which effectively tax not only ourselves but our children and those yet unborn.

Over the following decade, and especially after the Bolshevik Revolution of 1917, social reform, the dole, National Assistance, old age pensions, and so on were increasingly seen by the governing classes as a means to protect Britain against revolutionary movements of the kind that had engulfed Tsarist Russia. In the forefront of this anti-Bolshevik crusade was Winston Churchill, who in November 1918 told a crowd in Dundee that Bolshevism had reduced Russia "to an animal form of barbarism ... Bolsheviks hop and caper like troops of ferocious baboons amid the ruins of cities and the corpses of their many victims."

The imagery might have been savage, but his hatred of communism was palpable. And in the developing struggle between communism and capitalism, Churchill was to emerge as one of the most eloquent paladins of liberty.

AFTER THE GREAT WAR

Yet by the end of the Great War, in both 1918 and 1919, Churchill was undoubtedly willing to engage in some crypto-socialist solutions to national problems, even declaring himself in favour of the nationalisation of the railways and running them at a loss—a fact of which he was vocally reminded after the Second World War when as Leader of the Opposition he vehemently opposed their nationalisation by Clement Attlee's Labour government. For he was on record as saying at a Chamber of Commerce lunch in Dundee on 10 December 1918 that:

If the Capitalist system is to survive as the mainspring of every form of civilisation, it is essential that there should be just laws regulating the acquisition of wealth, that monopolies should be controlled in the general interest, that taxes be levied as far as possible in proportion to the ability to pay, that there should be effective discrimination between earned and unearned income, and most important of all, that the great mass toilers throughout the land should be assured a decent minimum standard of life and labour.

So, while Churchill was clearly no Ayn Rand libertarian, he did genuinely believe that the capitalist system was indeed the “mainspring of every form of civilisation”. Similarly, he shared the profound dislike of taxation that should be felt by every good capitalist. Even in his most leftist phase, Churchill was still able to state that “taxes are an evil—a necessary evil, but still an evil, and the fewer of them we have the better”.

Churchill was nothing if not capable of learning from past mistakes, both his own and other people's. This process is very much apparent in the development of his thinking over rail nationalisation, which came out strongly in the debate on the King's Address in 1946, when a Labour MP reminded him of his support for it back in 1919. Churchill replied: “But what happened?” He reminded the House of the period of quasi-nationalisation under Sir Eric Geddes, saying:

All that he produced in four years was a very bad service for the public, heavy loss to the shareholders, and the worst railway strike ever known except the one preceding the General Strike. I must admit that this practical experience of nationalisation—and we do learn by trial and error provided we profit by experience—damped, I cannot say my usual, my early enthusiasm for the project.

And this is the key: Churchill's enthusiasm for collectivist answers to economic problems belonged very much to the early part of his career. He learned both from practical experience—especially in his period as Chancellor of the Exchequer, and from reading Friedrich Hayek's 1944 masterpiece *The Road to Serfdom*—and he also learned by trial and error, as in the case of the nationalisation of the railways. His economic views were not, of course, monolithic throughout his life. Instead, they matured through experience and intellectual engagement, while keeping a bedrock of Tory democracy principle at their base, even while he was in the Liberal Party. As the world around him became ever more collectivist, and as the Labour Party triumphed over the Liberals (who never formed a government after 1918), Churchill became a proselytising advocate of the free market, especially in his devastating philippics, while Leader of the Opposition, against Clement Atlee's socialist government of 1945–51.

In 1924 Churchill was not only back in the Conservative Party but he was also unexpectedly asked by Stanley Baldwin to become Chancellor of the Exchequer. (He says in his memoirs that he wanted to answer Baldwin's question as to whether he would like to become chancellor with the words “Does the bloody duck swim?”, but confined himself to a more dignified reply.) If we need to look for a Damascene moment for Churchill in terms of economics, this surprise appointment to the Treasury, when suddenly he was personally and unexpectedly responsible for the shaky finances of post-Great War Britain, provides one. His belief in free enterprise was born in the five years he spent there, despite the cataclysmic events they witnessed, including the decision to return to the gold standard in 1925 and the outbreak of the General Strike the following year.

Devotees of John Maynard Keynes will doubtless agree with him that the return to gold caused the General Strike and undermined the whole British economy. A very different reading of the matter, however, is given

in a perceptive essay by Ryan Brown (in issue 153 of *Finest Hour*); he argues that, while the timing and the exchange rate of the return to gold might have been questionable, Churchill's reasoning was sound and indeed praiseworthy, based on good free market and free trade principles, and he was fantastically unlucky in the way events developed. The General Strike was in no way caused by the return to gold, but it did help to undermine confidence in sterling at a crucial time; so, instead of the trade unions being the victims of Churchillian economics, as Keynes argued, they were in fact the deliberate architects of its downfall.

Socialists knew they had a determined ideological foe in Churchill, who said a few months before the General Strike broke out: "Let them abandon the utter fallacy, the grotesque, erroneous, fatal blunder of believing that by limiting the enterprise of man, by riveting the shackles of a false equality ... they will increase the well-being of the world."

The year after the strike was defeated, Churchill addressed an issue that hangs over much of the Western world today: deficits. "There are two ways in which a gigantic debt may be spread over new decades and future generations," he told the House of Commons in April 1927. The right way would be "to make the utmost provision for amortization which prudence allows". The wrong way, he said, would be "to aggravate the burden of debt by fresh borrowing, to live from hand to mouth and from year to year, and to exclaim with Louis XIV, 'After me, the deluge.'"

Churchill's sound approach to deficit financing, taxation, and the money supply did not alter in the 1930s, but his attention was taken up by the rise of the Nazis, and in the first half of the 1940s by the war, which of course was to witness the largest increase in state power in history, much of it on his watch. He only considered this a temporary necessity, though, unlike the socialist members of his coalition government, who hoped the restrictions, regulations, and controls might be extended long into the peace.

IN OPPOSITION

"Control for control's sake is senseless," Churchill was saying in March 1945, even before the end of the war:

Controls under the pretext of war or its aftermath which are in fact designed to favour the accomplishment of quasi-totalitarian systems, however innocently designed, whatever guise they assume, whatever liveries they wear, whatever slogans they mouth, are a fraud that should be mercilessly exposed to the British public.

Yet it was his attempt to expose this fraud three months later that was to lead Churchill into one of the great unforced errors of his whole career. Giving his first broadcast for the 1945 general election, he said on 4 June:

My friends, I must tell you that a Socialist policy is abhorrent to the British ideas of freedom. Although it is now put forward in the main by people who have a good grounding in the Liberalism and Radicalism of the early part of this century, there can be no doubt that Socialism is inseparably interwoven with Totalitarianism and the abject worship of the State. It is not alone that property, in all its forms, is struck at, but that liberty, in all its forms, is challenged by the fundamental conceptions of Socialism. Look how even to-day they hunger for controls of every kind, as if these were delectable foods instead of war-time inflictions and monstrosities. There is to be one State to which all are to be obedient in every act of their lives. This State is to be the arch-employer, the arch-planner, the arch-administrator and ruler, and the arch-caucus-boss.

So far, so straightforward—indeed, so true. Churchill wanted to set the parameters of the debate for the election and had chosen well in trying to make them incorporate the glaring dichotomy between freedom and socialism. Yet the next paragraph of his speech included a sentence which was popularly thought to have gone too far, not least because the Labour leader, Clement Attlee, was a mild-mannered democrat who had sat beside him as deputy prime minister during the war, and who clearly did not deserve the almost Stalinistic role that Churchill seemed to be painting for him:

I declare to you, from the bottom of my heart, that no Socialist system can be established without a political police. Many of those who are advocating Socialism or voting Socialist today will be horrified at this idea. That is because they are short-sighted, that is because they do not see where their theories are leading them. No Socialist Government conducting the entire life and industry of the country could afford to allow free, sharp, or violently-worded expressions of public discontent. They would have to fall back on some form of Gestapo, no doubt very humanely directed in the first instance. And this would nip opinion in the bud; it would stop criticism as it reared its head, and it would gather all the power to the supreme party and the party leaders, rising like stately pinnacles above their vast bureaucracies of Civil servants, no longer servants and no longer civil. And where would the ordinary simple folk—the common people, as they like to call them in America—where would they be, once this mighty organism had got them in its grip?

Clementine Churchill suggested that the toxic sentence about the Gestapo be removed, but sadly her husband did not take her advice. There was an immediate howl of outrage at Churchill's words—much of it ringing false and manufactured by Labour, of course, but deeply damaging nonetheless. In vain did his supporters point out that Churchill had hedged his message around with qualifications, that he did not mean Attlee personally, that everything else he had said was true and had happened to every country in which complete nationalisation of industry, state planning, and common ownership of property had triumphed.

It is simply not true to suggest, as Harold Laski and other socialists have, that the Gestapo speech—as it quickly came to be known—lost Churchill the election. There were, needless to say, far deeper causes at work to explain the Tories' defeat than a single over-exuberant speech. Yet the damage had been done.

To support the arguments Churchill had made, the Conservatives offered Friedrich Hayek enough heavily rationed and hard-to-obtain paper to publish an abstract of *The Road to Serfdom* before the general election, but it could not be printed in time. The electorate gave Labour the biggest landslide victory for any political party since 1906. It was allowed to repent at leisure, not giving Labour another overall majority until 1964.

Churchill's period in opposition between 1945 and 1951 is perhaps the least studied period of his life, yet it was one of the more important. For it was during this very intellectually productive time that Winston Churchill delivered his most hard-hitting speeches against socialism and in favour of the free market—speeches that we know inspired the young Margaret Thatcher at the time, who was finally to put into practice the calls for economic liberty that Churchill had made. We can imagine her sitting by the radio or reading the newspaper and lapping up her party leader's words as she prepared to stand for the Dartford constituency in the 1950 general election, little guessing that it would fall to her to put many of Churchill's prescriptions into practice three decades later.

For in that six-year period of opposition between July 1945 and his return to Downing Street in October 1951, Churchill set out a critique of socialism and collectivism, as well as a defence of free market capitalism, that should resonate down the ages. Sometimes he used telling aphorisms. "The

inherent vice of capitalism is the unequal sharing of blessings,” he quipped in the Commons in October 1945. “The inherent virtue of socialism is the equal sharing of miseries.” More often his medium was hard-hitting campaign speeches.

“Will not the daily toil of the actual producing worker have a heavier burden thrust upon it by enormous hordes of ... largely uninterested officials than would be the case under private management?” he asked at Ayr in May 1947. “And will not these officials be less efficient, more costly, and far more dictatorial than the private employers?” In those days, of course, there were far fewer public servants than there are now, with a consequently lower political price to pay for criticising them. Today, when in some areas of Britain, such as in Scotland, Ulster, and northern England, public employees or people who in some way are paid by the state can form up to 70 percent of the working population, the political price is far higher—which is why you rarely hear Churchill’s important truth stated by today’s politicians.

In 1947, in Manchester, Churchill delivered the following grim warning:

When losses are made, under the present system these losses are borne by the individuals who sustained them and took the risks and judged things wrongly, whereas under State management all losses are quartered upon the taxpayers and the community as a whole. The elimination of the profit motive and of self-interest as a practical guide in the myriad transactions of daily life will restrict, paralyse and destroy British ingenuity, thrift, contrivance and good housekeeping at every stage in our life and production, and will reduce all our industries from a profit-making to a loss-making process.

This, too, swiftly proved to be right, but the governments of the 1960s and 1970s, of both political persuasions, merely ordained that taxpayers should shoulder the losses incurred in bad decision-making. When the invisible hand of the market is lopped off, the whole body politic winds up maimed.

“Socialism is the philosophy of failure, the creed of ignorance, and the gospel of envy,” said Churchill in Perth, Scotland, in May 1948. Envy—which on a different occasion he memorably termed “the most barren of all vices”—is of course the default position of the socialist demagogue. If all else fails in his attempts to persuade people that it is right to redistribute wealth from the rich to the poor—when all of his arguments that that is a desirable, economically efficient, or even morally decent thing to do to hard-working, entrepreneurial citizens have come to nothing—then the socialist politician can always fall back on the crude emotions of envy that can all too easily be whipped up against the rich. To watch President Obama’s present campaign against the 1 percent, the “billionaires and millionaires”—full of tendentious and misleading sound bites such as highlighting the tax situation of Warren Buffett’s secretary—is to see the whole sorry panoply of the politics of envy that Churchill warned against churned out yet again before a Western electorate. “I do not at all wonder that British youth is in revolt against the morbid doctrine that nothing matters but the equal sharing of miseries,” said Churchill in June 1948, “that what used to be called the ‘submerged tenth’ can only be rescued by bringing the other nine-tenths down to their level.”

Speaking in his Woodford constituency in Essex in July 1948 and returning to his transatlantic theme, the half-American Churchill expressed his distaste for socialist mendacities:

When I see the present Socialist Government denouncing Capitalism in all its forms, mocking with derision and contempt the tremendous free enterprise capitalist system on which the mighty production of the United States is founded, I cannot help feeling that as a nation we are not acting honourably or even honestly.

That production had helped save Britain during the Second World War, so it was natural that Churchill wished to give it its proper due.

But it was of Britain that Churchill was speaking in November 1948 when he said: "A strong dose of either Socialism or Communism will kill Britannia stone dead, and at the inquest the only question will be: Did she fall or was she pushed?" The implication was that, although communists wanted actively to destroy the British economy for the greater good of the Soviet Union, the Labour Party's incompetence, negligence, and blinkered ideological assumptions would so strangle the profit motive that they would, unbidden and unwittingly, have much the same effect. "The choice is between two ways of life," Churchill stated categorically in Wolverhampton in July 1949:

between individual liberty and State domination; between concentration of ownership in the hands of the State and the extension of ownership over the widest number of individuals; between the dead hand of monopoly and the stimulus of competition ... between a policy of levelling down and a policy of opportunity for all to rise upwards from a basic standard.

More than six decades after Churchill spoke these words, this stark dichotomy is the one that is always seen in Western general elections whenever there is a socialist party facing one that believes in classical liberal market economics.

One of the aspects of government control that socialists always lauded over the so-called anarchy of the free market was planning, so Churchill took on the left-wing mantra in his speech in the Empress Hall in London in October 1949:

There is nothing new in Planning ... Did not Joseph advise Pharaoh to build new granaries and fill them for the lean years when the Nile water failed? ... Planning, with all the resources of science at its disposal, should aim at giving the individual citizen as many choices as possible of what to do in the ups and downs of daily life ... This kind of planning differs fundamentally from the collectivist theme of grinding them all up in a vast State mill which must certainly destroy in the process the freedom and independence which are the foundation of our way of life and the most famous characteristic of our race.

Nowadays we do not hear much about the glories of planned economies, but at the time Churchill spoke it was a regular boast that they made for efficient use of resources. Time and experience, and the swift-moving nature of the market, have thankfully put paid to that particular line of argument.

The costs of the nationalised industries became acutely clear soon after they were "taken into public ownership"—in other words, subjected to forced sale by government diktat against their owners' wishes. "I doubt if it gives very much pleasure to the average socialist when he wakes up in the morning to say to himself, 'Oho, I own the Bank of England, I own the railways, I own the coal mines,'" Churchill told his audience at the Usher Hall in Edinburgh in February 1950. "But if it does give him any actual pleasure, he is certainly dearly paying for it." He underlined the economic lunacy of it all to his own constituents in July 1951: "All the boastings of the Welfare state have to be set against the fact that more than what they have given with one hand has been filched back by the other."

RETURN TO POWER

Speaking in Huddersfield in the month of the October 1951 general election, Churchill issued a stern warning to the British people: “The complete nationalization of all the means of production, distribution and exchange would make it impossible for this small island to support a large part of its population.” They heeded him and returned him to Downing Street with a workable Tory majority, his first and last election victory.

During his “Indian summer” premiership of 1951–5, the Churchill government ended rationing but undertook only a marginal deregulation of industry and denationalised only the road trucking and steel industries (in the latter of which the state retained considerable control). There was no “bonfire of controls”, as had been promised. Moreover, his ministry simply surrendered in the face of trade union militancy, which eventually led to wage-induced inflation after he left office. (After Churchill settled one threatened Christmas strike of railwaymen, the Chancellor of the Exchequer Rab Butler telephoned him to ask on whose terms the strike had been settled. “Why, theirs of course, old cock!” came the cheery reply.)

Churchill was 80 by the time he left office. He was more interested in foreign than domestic affairs and had no stomach for the kind of bruising fights with the unions that would have been necessary—the kind of clashes that were seen in the 1970s under Edward Heath, who did not have the fibre to battle through, and finally in the 1980s under Margaret Thatcher, who most certainly did.

In the last political speech of his life, back at his Woodford constituency on 29 September 1959, Churchill said:

Among our Socialist opponents there is great confusion. Some of them regard private enterprise as a predatory tiger to be shot. Others look upon it as a cow they can milk. Only a handful see it for what it really is—the strong and willing horse that pulls the whole cart along.

There is enough of an echo in that speech of the one he had made over four decades earlier, in which he had defined capitalism as “the mainspring of every form of civilisation”, for us to recognise that Winston Churchill grew into a doughty supporter of the free market. Along with Adam Smith, Friedrich von Hayek, Ronald Reagan, and Margaret Thatcher, we should recognise that Churchill was one of history’s most eloquent promoters of the genius of capitalism.

Just as there is said to be more joy in heaven for a sinner who repents and is saved than for the ninety-nine souls who have already seen the light, so we should rejoice that Winston Churchill’s personal experience and raw intelligence brought him into the free market movement with such *éclat* and formidable powers of persuasion.

ABOUT THE AUTHORS

Hywel Williams

Hywel Williams is a Senior Advisor at the Legatum Institute, where he leads the Culture of Prosperity programme. He is an historian, commentator, and broadcaster. His books include *The Age of Chivalry: Culture and Power in Medieval Europe 950-1450*; *Emperor of the West: Charlemagne and the Carolingian Empire*; *Sun Kings: A History of Kingship*; and *Cassell's Chronology of World History: Dates, Events and Ideas that Made History*. His television credits, as writer and presenter, include documentaries on David Lloyd George, the career of Pope Benedict XV, an international history of the late twentieth century, a history of Wales after 1945 and a history of the coal industry in twentieth century Britain. His six-part television history, *How Empires Fall*, will be broadcast in the spring of 2016.

Philip Kay

Philip Kay combines a career in finance with academic research. He is the Managing Partner of a specialist Japanese fund management firm, PBG Capital and a supernumerary fellow at Wolfson College, Oxford. He has held senior positions at Schroders, Smith New Court and Credit Suisse. Kay is a non-executive director of Fidelity Japanese Values plc and serves as Hon. Treasurer of the Roman Society and chair the Wolfson College Strategy Group. His research interests include the economy of the Roman Republic and the structure and practice of ancient banking. He is the author of a monograph, *Rome's Economic Revolution* (Oxford University Press, 2014).

David Abulafia

David Abulafia is Professor of Mediterranean History at the University of Cambridge, a Fellow of Gonville and Caius College and a Legatum Fellow. His interests embrace the economic, social, and political history of the Mediterranean lands in the Middle Ages and the Renaissance. His most recent book, *The Great Sea*, published by Penguin, explores the history of the Mediterranean from 22,000 BC to AD 2010. In 2011, Professor Abulafia received the Mountbatten Literary Award from the Maritime Foundation for this book, and in 2013 he was awarded a British Academy Medal for the 'landmark academic achievement' which the book represents.

Maarten Prak

Maarten Prak is Chair of Economic and Social History at the University of Utrecht in the Netherlands. He specialises in the early modern period and has focused on the history of the Dutch Republic and European social history. His academic interests include the Dutch Golden Age, cultural industries, guilds, and economic history. He has edited a number of books, including *The Dutch Republic in the Seventeenth Century: The Golden Age; Guilds, Innovation and the European Economy, 1400–1800*; and *Early Modern Capitalism: Economic and Social Change in Europe, 1400–1800*.

Deirdre McCloskey

Deirdre McCloskey is a Distinguished Professor of Economics, History, English, and Communication at the University of Illinois at Chicago. A well-known economist and historian, she has written sixteen books and around 400 scholarly pieces on topics ranging from technical economics and statistics to transgender advocacy and the ethics of the bourgeois virtues. The final book in *The Bourgeois Era* trilogy, *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World* will be published in 2016.

Bronwen Everill

Bronwen Everill is a college lecturer and fellow, Gonville and Caius College, Cambridge. She is broadly interested in the place of Africa and the role of Africans in the shaping of ideas about humanitarianism, empire, and commerce in the modern period. She received her PhD from King's College London in 2010. Since then she has taught at Oxford University, Warwick University and King's College London. She is the author of *Abolition and Empire in Sierra Leone and Liberia* and *The History and Practice of Humanitarian Intervention and Aid in Africa*.

Philipp Blom

Philipp Blom is an award-winning author, journalist, and translator based in Vienna. He has published several historical books exploring culture and society in the twentieth century. His latest work, *Fracture: Life and Culture in the West, 1918-1938*, focuses on the interwar period in the West and follows on from his earlier book, *The Vertigo Years: Change and Culture in the West, 1900-1914*. He also presents a cultural discussion programme on Austrian national radio and lectures on historical and philosophical themes, mainly in Europe, the USA, and South America. Aside from historical studies he is also the author of several works of fiction.

Stephen Clarke

Stephen Clarke is Head of Quantitative Research at the Legatum Institute. He leads the production of the *Legatum Prosperity Index*[™] and its associated publications. His academic interests include economic history, political economy, and UK public policy. Previously he was a Research Fellow at the think-tank Civitas where he authored a book on the banking systems of Germany, Switzerland and the UK. He writes regularly on economic, political, and historical issues and his work has been published in the *Daily Telegraph*, *New Statesman*, *Foreign Policy*, *City AM* and *History Today*.

Andrew Roberts

Andrew Roberts read modern history at Gonville and Caius College, Cambridge, where he is now an Honorary Senior Scholar. He is a winner of the Woolfson prize, a Fellow of the Royal Society of Literature, a judge of the Elizabeth Longford Historical Biography Prize, and trustee of the National Portrait Gallery. He has also been elected a Fellow of the Napoleonic Institute and an Honorary Member of the International Churchill Society. His latest book is *Napoleon the Great*, which won the Grand Prix of the Fondation Napoléon, and the *Los Angeles Times* Biography Prize 2015. He is presently writing a biography of Sir Winston Churchill.

The views expressed in this paper are those of the authors and not necessarily those of the Legatum Institute.

This volume, author interviews, and Volume I can be found at
<http://www.li.com/programmes/the-history-of-capitalism>

METROPOLIS



UNOSIV
R.F.
BUDAPESTI

UFA
FILMSZIN
UR
O

978-1-911125-03-7



9 781911 125037

JANUARY 2016