

THE INDUSTRIAL REVOLUTION AND FREE TRADE

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The Industrial Revolution and Free Trade by Burton W. Folsom

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BURTON W. FOLSOM

**THE INDUSTRIAL
REVOLUTION
AND FREE TRADE**

The Industrial Revolution and Free Trade

Edited by Burton W. Folsom, Jr.



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Introduction

In 1764, James Hargreaves, an uneducated weaver from Lancashire, England, displayed a remarkable invention. It was a hand-cranked machine that could spin yarn on eight spindles. He called his contraption a "spinning jenny"; later models of Hargreaves' jenny had up to 120 spindles. The replacement of hand-spinning by machine was one of several inventions that mechanized the making of clothes, which allowed a factory of specialized workers to make in a day what once took a year. The Industrial Revolution was born.

The Industrial Revolution, with its mass production in factories, transformed first England and then the world. As textile mills soaked up capital, farmers were drawn to growing cities to take jobs in the factories. The era of the specialist had begun: cotton producers, weavers, builders, loom repairmen, dyemakers, cutters, wholesalers, retailers, and marketing experts all made the British textile industry a driving force in the world. This specialized labor, this disciplined work force, this competition for markets would later be repeated in the iron and steel industry. British entrepreneurs went from making pins and nails to plows and rails. During the 1800s, they tied the world together with steamships, railroads, telegraphs, and telephones.

What would be the relationship between the Industrial Revolution and free trade? What would be the balance between liberty and authority in this new industrial society? At first, the answers to these questions were not clear. The political economy of the 1700s was dominated by the idea of mercantilism—which urged nations to be self-sufficient, to shun imports and promote exports, and to build their supplies of gold. Therefore, the European mercantilist empires of the 1700s were highly restrictive: tariffs, subsidies, monopolies, and government contracts abounded.

Even as Hargreaves was inventing and perfecting his spinning jenny, however, the ideas of free trade and private enterprise were finding their way into print. William Blackstone, in the 1760s, published his *Commentaries on the Laws of England*. According to Blackstone:

The absolute rights of man, considered as a free agent, endowed with discernment to know good from evil, and with power of choosing those measures which appear to him to be most desirable, are usually summed up in one general appella-

tion and denominated the natural liberty of mankind. This natural liberty consists properly in a power of acting as one thinks fit, without any restraint or control, unless by the law of nature; being a right inherent in us by birth, and one of the gifts of God to man at his creation, when he endued him with the faculty of free will.

When Adam Smith wrote *The Wealth of Nations* in 1776, he applied this idea of natural liberty to the nation state:

What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them. . . . In every country, it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest. The proposition is so very manifest, that it seems ridiculous to take any pains to prove it; nor could it ever have been called in question, had not the interested sophistry of merchants and manufacturers confounded the common sense of mankind. Their interest is, in this respect, directly opposite to that of the great body of the people.

In this "system of natural liberty," Smith argued, an invisible hand in the marketplace helped transform mere private gains into public usefulness:

It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.

In 1850, Richard Cobden, the British political leader, argued further that "free trade would have a tendency to unite mankind in the bonds of peace."

If free trade was moral, if it was efficient, if it promoted liberty and public progress, and if it promoted international peace, then what was the proper role of government in this new society. "According to the system of natural liberty," Adam Smith argued:

the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common

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

Smith's case for free trade and limited government won the battle of ideas in the 1800s. The Industrial Revolution and the free trade that followed brought rising standards of living to many Western countries. Those countries outside the Western orbit watched the rise of industrialism with different attitudes. The Chinese, for example, remained isolationist. They limited their trade with the West and refused to adopt new technology or new ideas about individual liberty.

In 1793, Ch'ien Lung, the Chinese emperor, wrote a classic letter to George III of England. King George, it seems, wanted more trade with China and sent a batch of British goods there to excite curiosity and open doors for future trade. Ch'ien Lung dismissed Britain's "precious objects." "There is nothing we lack," he smugly wrote. "We have never set much store on strange or ingenious objects, nor do we need any more of your country's manufactures. . . ." In the 1800s, China followed Ch'ien Lung's policy whenever possible. While Western countries built factories, railroads, and military equipment, China retreated into its shell.

Japan's attitude was completely different. From the moment Commodore Matthew Perry opened up Japan for trade in 1854, the Japanese began to copy Western technology. The Meiji dynasty encouraged textile production and Japan soon challenged the West in the making of clothes. Ships, railroads, and guns would soon follow. In 1871, novelist Kanagaki Robun captured popular sentiment in Japan toward the West when he wrote, "In the West they're free of superstitions. There it's the custom to do everything scientifically, and that's why they've invented amazing things like the steamship and the steam engine. . . . Aren't they wonderful inventions?"

To compare the views of Ch'ien Lung and Kanagaki Robun on trade is to understand the history of China and Japan in the 1800s. In the 1840s and 1850s, China lost wealth and land (including Hong Kong)