British Shipping and World Trade: Rise and Decline, 1820–1939

INTRODUCTION

Until the beginning of the eighteenth century the economic development of England and Wales was little different from that of its neighbors in Western Europe. Like them its relatively small population was mainly engaged in rural pursuits or in agriculturally based industries. A minor distinction was that the country already enjoyed a long tradition of naval glory and its geographic position was gradually encouraging a greater emphasis on overseas trade.

During the next hundred years or so this situation was to change dramatically, for while other nations made only slow progress, a series of fortuitous, though inter-connected, events were to practically double the size of the population and to see Britain emerge as “The Workshop of the World”. The consequence of this development was that Britain emerged as the cheapest producer of most manufactures and, indeed, the only source of many new items.

Historians have never been able to decide what precise weight should be given to the numerous factors which first initiated and then nurtured this growth, but certain innovations in the textile, iron and engineering industries are usually given a high priority. It has also been customary to give the reduction in transport costs a significant role in the transformation of the British economy, and this was foreshadowed by Adam Smith when he stressed the importance of water carriage. By this means, a more extensive market is opened to every sort of industry than what land carriage alone can afford, so it is upon the sea coast and along the banks of navigable rivers that industry of every kind naturally begins to sub-divide and improve itself, and it is frequently not till a long time after that those improvements extend themselves to the inland parts of the country.

The development of the canal network in the period from 1760 to 1830 extended the benefits of cheap transport to a large part of inland Britain. As a result the cost of moving,
bulky or heavy commodities such as coal, iron, timber, stone, salt and clay was greatly reduced and agricultural regions which had been remote from the market were brought within the widening circle of exchange . . . .

At about the same time the roads of Britain began to benefit from the work of the Turnpike Trusts and from the activities of such pioneers as John Metcalf, Thomas Telford and John Macadam. However it was not until the evolution of the railway system after 1829 that the internal revolution in transport may be regarded as complete.4

The economic consequences of these investments and innovations were, according to Alfred Marshall, crucial to the whole process of industrialization:

Probably more than three-fourths of the whole benefit she (Britain) has derived from the progress of manufactures during the 19th Century has been through its indirect influence in lowering the cost of transport of men and goods, of water and light, of electricity and news: for the dominant economic fact of our own age is the development not of the manufacturing but of the transport industries. It is these that are growing most rapidly in aggregate volume and in individual power, and which are giving rise to the most anxious questions as to the tendencies of large capitals to turn the forces of economic freedom to the destruction of that freedom: but, on the other hand, it is they also which have done by far the most towards increasing England’s wealth.5

Even if we do not fully accept all of Marshall’s views, it seems certain that the pace of industrialization and growth of output were dictated as much by improvements in transport as by innovations in actual production. This was because of its effect on the size of the market,

. . . a vital condition for industrial growth—according to the degree that goods are bulky relative to their value, becomes a function of transport costs. The cheaper transport costs become the larger the area over which such cheap and bulky goods can get marketed. Areas with special advantages in processing costs—cheap coal, cheap power, cheap raw materials, good local labour supplies—can thus expand their markets as “transfer costs” decline. And this chance of expanding markets makes possible and encourages more division of labour, innovation, all the economies of larger-scale production. Rising output and productivity will lower the average costs of the commodity—but only if the goods can be cleared to a widening market. Cheap transport thus becomes economically important according to the degree of its effects upon total costs.6

There can be no doubt that all of these theoretical considerations applied in full to the growth of the British economy in the eighteenth century. The increasing efficiency of production, supplemented and encouraged by the improvements in inland transport, resulted in lower unit costs to the consumer, and a wider internal market was created. The reduction in unit costs also made British goods more attractive abroad, and by the end of the century overseas trade had increased dramatically, imports rising approximately five-fold and exports growing roughly six-fold in value.7 Obviously, however, external trade was subject to the same constraints as inland commerce, and Britain’s optimal trading position would be significantly