13 September 2012 ECO 303Y Lecture Summary: no. 1

Ia. Week no. 1: Lecture no. 1: on 12 September 2012:

The Economy of the Netherlands: Dutch Economic Hegemony in the European Economy during the 17th and 18th centuries

- since this topic was not given in class, as a set of oral lectures, but has instead been presented in full on-line, there is no summary to be given for this set of lectures. Read the online lecture.

Ib. Week no. 1: Lecture no. 2: on 12 September 2012:

Great Britain as the Homeland of the Industrial Revolution

(1) **The focus of this course is on the industrialization of modern Europe, especially urban industrialization:**

a) in the first term, beginning with the British Industrial Revolution (1760 - 1830); and,
b) in the second term, the spread of the Industrial Revolution to the continent: with a comparative study of the industrialization of France, Germany, and Russia, in that order during the 19th century (1789 - 1914).
c) We will then return to examine the British economy from 1870 to 1914, to see how it fared with the end of the British economic hegemony, in facing new international competition, especially from Germany and the U.S.

(2) **Despite the focus on industrialization, we will necessarily examine all four sectors of the economy,** noting how changes in one sector influenced changes in the other: agriculture; commerce (domestic and foreign trade); banking and finance; and manufacturing industries

(3) **The importance of the Kuznets U-curve:** on the social consequences of industrial changes:

a) Kuznets (Nobel Prize in Economics, 1971) contended that economic development and industrialization underwent two phases in terms of its impact of income distribution and living standards, following the downward and upward slopes of a U-curve

- in the initial phase, economic growth necessarily transferred wealth, resources, and real incomes from the lower to upper economic strata of society, especially to the entrepreneurs in commerce, finance, and industry, thereby more highly skewing income distributions, and reducing the real incomes of the lower strata (working classes, urban and rural)
- but in the second phase, the fruits of both enterprise and investments, with technological changes, bore the fruits of higher productivity and overall economic growth, increasing the real incomes and living standards of most of society, especially benefitting the lower strata

b) The economic significance of the Kuznets U-curve can best be seen in the popular debate topic about living standards of the working classes during the Industrial Revolution era, from the 1770s to the 1820s: did they decline; and if so, why?

c) We do not, yet, however find this debate about the 19th-century industrialization of France, Germany, and Russia. Perhaps we have to wait for another generation of scholars to investigate this intriguing problem.

(4) **For these reasons, we most focus in the first term, on the origins and development of the modern Industrial Revolution, in Great Britain; and ask these five questions:**

- Why was Great Britain the homeland of the modern industrial revolution: why did it not occur first in, say, the Netherlands or France, who were equally wealthy in the 18th century?
- Why did it begin, in Britain, from the 1760s? Why was the period from c. 1760 to c. 1820 the crucial initial phase of the Industrial Revolution?
- Why did it begin in three specific industries: steam engineering (with coal-fired steam power); metallurgy: iron manufacturing (with coal); and textiles using steam power: in cotton textiles especially.
- Why and How did technological innovations play such a crucial role in this Revolution?
- How and why was the Industrial Revolution accompanied by an equally significant demographic revolution: during which British population doubled from 1760 to 1810, and then tripled to 1910?

(5) **Is the term 'Industrial Revolution' justified?** I gave three reasons why it is fully justified, in marking a very distinct and fundamental 'water-shed' or dividing point in human history: even if it did not occur in as a dramatic, short-term, cataclysmic phenomenon.

- The Industrial Revolution marked the first time in human history that mankind escaped the 'Malthusian Trap': of suffering economic crises and impoverishment with unchecked population growth: the very first time that the economy, thanks to technological changes, permitted a continuous self-sustaining growth in both population and per capita output (or living standards) - with evidence presented in the text

- It also marked the first time that the industrial sector, always in the past, the weakest of the four sectors, leap-frogged ahead for fourth to first place, in becoming the most dynamic sector, governing changes in all of the other three sectors, in promoting economic growth (in Britain, though its impact on foreign trade)

- It also marked the first time that a proletariat, both urban and rural, developed as a distinct socio-economic class: composed of those who sold only their labour power, for money wages, and were no longer, as in the past, able to produce their own food, clothing, and shelter (or much of it). In the past few people worked for money wages along, and most of those in the 'working classes', as both artisans and labourers, also had other gainful employments.

(6) **Technological innovations:** are the key to understanding the dynamics of the Industrial Revolution and of economic growth in general: and that will be a key topic of the next set of lectures.

(7) **Natural Resource endowment: the question of coal**

- we will see, in terms of the technological changes that produced the Industrial Revolution, the overwhelming importance of coal
- coal: coal in the form of coke for producing iron (and then steel); for coal-fired steam power for the machinery used in producing iron and textiles; coal-fired steam power for the transportation revolution in trains (locomotives) and shipping; coal-fired steam turbines to produce electrical power, in the so-called Second Industrial Revolution, after 1860

- An industrial map of Europe in the 19th century was essentially a map of its coal-fields: industries gathered around coal because of relative transportation costs
- Britain's enormous advantage: that it had a two-centuries' head start over the rest of the world in utilizing coal as the key industrial fuel.
- the curse of coal-fired modern industrialization: Global Warming (carbon dioxide emissions).

Read the rest of the full lecture online.