



Economic History of Empire – Trade in the British Empire in the 19th Century

Interview with Brian Varian

Transcript

Patrick	Welcome to the History Ledger, the Economic History Society's podcast. I'm your host Patrick Wallace of the London School of Economics, and I'm joined today by Brian Varian of Newcastle University. So welcome, Brian. Nice to have you with us.
Brian	Thank you, Patrick.
Patrick	We're going to talk about the economic history of empire in this episode, particularly we're going to talk about the long pattern of development of trade in the British Empire and outside the British Empire, I think, across the long 19th century. Before we get going, though, Brian. I mean, how did you end up doing this? You're an expert on the economic history of trade. How did you end up with that as your subject?
Brian	Well, this is what an economist would call path dependency. I started initially researching in this broad area when I was a master's student in the economic history department at the London School of Economics. I had come to the LSE in my early 20s from the United States and so my background in history up until that point had had an American emphasis. That was my knowledge base was United States history. And then I here I arrived at the LSE in London, and I am confronted with the task of writing a master's dissertation and for my master's dissertation we were encouraged, or I suppose required, to make use of primary sources. And there I was in England needing to make use of primary sources. So, all the primary sources or most of the primary sources that were available to me concerned Britain. And so, I thought to myself, well, how can I bring my American historical knowledge to bear on these British sources? How can I marry the two in some way? And so, I thought, well, the most obvious way to connect these would be British trade with the United States. So, I ended up writing my master's dissertation on British alkali exports to the United States in the 19th century. I then developed a focus on the 19th century because I thought that the 18th century the sources seemed a bit too fragmentary, and the 20th century may be not sufficiently historical for my taste. Of course, the 20th century is history, but I was born in the 20th century, and so the 19th century just seemed right for me. So, I began researching on 19th century British trade and continued in that vein in my PhD and then after a while you sometimes get, I don't want to say, bored but you see other topics that interest you and so I decided to expand my horizons a little bit and focus on trade in the British Empire more broadly which was, in some ways, made easier because wherever the British went they took their bureaucracy and so we have really great trade for the 19th century for the different parts of the British Empire. So, the Canadian trade specifics which are excellent, the New Zealand trade specifics which are excellent and, I should also mention, that the only modern language which I had was English so in that sense the sources were accessible to me. So, I then moved a bit more into researching Britain's trade with the Empire and

	that's really where I am currently and I don't have any plan in changing my research agenda any time soon.
Patrick	Well, I guess until you get bored again, right?
Brian	Until I get bored again, but there's a lot to keep me interested in the British Empire, so I don't think I'm going to be bored in the next year or so.
Patrick	Brilliant. I mean, I love the number of people who came out of America and then end up working on the period just after America exits the British Empire and understanding that kind of long period thereafter. It's a nice thing. So, I think what we're going to talk about today is this kind of long 19th century and to me it's one of the great periods of globalization when trade is really fundamentally transformed. We've got a big change in the 15th century with the expansion of global trade routes, the connection between Americas and Europe and East Asia as well. The last decades of the late 20th century, the first decades of the 21st century, huge shifts just in scale and particularly the integration of China into the world trade system. But the 19th century is also really huge, right, in terms of the easing of barriers, the shift in scale. So, we're kind of trying to understand something about what happens to the British part of this, both inside and outside of the Empire, in this long 140 year period after the American colonies gained their independence, after your forefathers exit. I don't know whether your forefathers were there at that point.
Brian	Some of them were.
Patrick	Brilliant. So maybe let's start let's try and get a sense of the long run. Right. Let's maybe start with the beginning that kind of late 18th century. period just before the Napoleonic Wars, after the close of the American Wars of Independence. What would you say is the kind of main characteristics of English trade, British trade at the end of the 18th century? Give us just a sense.
Brian	OK, well, in a way, it was not all that different than trade in, let's say, the early 20th century even, because at a sectoral level, Britain is mainly importing primary sector goods, so raw materials and foodstuffs. And it is mainly exporting manufactured goods, you know, cotton textiles. There are some manufactured goods which Britain imports, for example, its going to be importing some luxury manufactures from, especially, continental Europe so let's say, Porcelain from France, its also going to be exporting some raw materials, some wool is being exported from Britain at the time but, in the main, this is an intersectoral trade where Britain is very much in the pattern, as it will remain, of exporting manufactured goods and importing primary sector goods, so raw materials and foodstuffs. The level of trade how ever trade is a much smaller feature of the British economy than it would become in the 20c and throughout the 19c. So, If were to look at the import to GDP ratio, which is one of the ways we can measure trade intensity, after the Napoleonic Wars the import to GDP ratio is 10 % and it is similar for the export to GDP ratio. By the time we get to the First World War its about 30%. So, this is not a trading economy by modern standards or even by early 20c standards. I should also mention, and we're going to go a little bit back to the composition of trade, yes, Britain is exporting manufacturers and it is importing primary sector goods, but at the time most of Britain's primary sector imports were raw materials as opposed to foodstuffs. And if we look at Britain's exports during this period, they're going to be very heavily concentrated in textiles specifically. So, when we dig down beneath the sector level, we're going to see a composition of trade that is going to be transformed in the ensuing century.

Patrick	Okay, so this is really interesting. So, we've got, I really like that big picture. So, Britain's already really an economy where we're importing raw materials, exporting manufactured goods. But it's a scale that's different. It's really kind of happening in a much smaller level than it will be later. I mean, let's just, I mean, just diving into that, you mentioned luxuries. I mean, among these luxuries, you mentioned porcelain, I guess wine. I imagine, I imagine the British are importing wine.
Brian	Oh, yes.
Patrick	Yeah, good, good. I mean, we should keep on doing that.
Brian	They didn't stop importing wine, but wine was a more significant component of its import basket. Yes.
Patrick	Brilliant. I sound terrible now, don't I? I sound like some kind of aging drunkard. But what about more distant luxuries? What about cloth from India, high-quality textiles, that type of thing? Is that part of this mix?
Brian	Oh, yes. That is also part of the trade. Within foodstuffs, many of the foodstuffs would be considered, by the standards of the day, very luxurious, right? Okay, so sugar being a leading example, and then also tobacco, okay, not quite a foodstuff, but yes, it is a basket of imports that skews toward luxuries much more than, let's say, goods that would be consumed by the lower classes within Britain.
Patrick	Okay, and so these luxuries, I mean, so we've got a big bulk trade in simple commodities, grain, I guess, a lot of it, maybe some wool, that type of thing. And then we've got these luxuries. And where do these luxuries come from in the late 18th century?
Brian	The Caribbean to accept the luxury food stuffs are coming from the Caribbean many of the luxuries are coming from continental Europe where there is a long-standing tradition of craft-based manufacturing and they were also coming from the Far East as you mentioned, places like India and China.
Patrick	Okay, so we have a really global pattern of trade with really extensive flows of goods coming in. The sugar is the sugar from plantation economies of the Caribbean.
Brian	The imports are extensive across commodities but what we don't have is an extensive, or I should say, the level of trade is not yet very high. So, it's not extensive in that sense.
Patrick	Yeah, yeah, yeah. So we have this mix. Lots of different things, but not so much, at least compared to what will come later.
Brian	And also, I should say, if we think of, let's say, the late 18th century, there's not much in the way of basic foodstuffs, right? So, for example, wheat is not being imported on any great scale during this period, and that's largely to do with the fact that the population of Britain at the time was small relative to what it would become later on.
Patrick	Okay, and it's not yet contained by, limited by laws around grain imports or exports?
Brian	Well, so we do have, and I think we might come to this later on, we do have the Navigation Act, which is a whole complicated system of restrictions.
Patrick	And we will definitely talk about that.

Brian	Yeah, we'll reserve that for later on. OK, so just one final thing about that. I mean, the technology, which is underpinning this, this is it's this fairly small ships, fairly kind of limited sailing ships. These are these are sailing ships. Yes, they are sailing ships. Well into the 19th century, and that does impose a limitation on trade insofar as it makes trade more costly. The cost of shipping goods in slower-moving, smaller ships is going to be greater than it would be in faster-moving, larger ships, as we would see as we move into the 19th century.
Patrick	Great. Now, you mentioned there, and I thought this was a really great statistic, that the rate of the share of imports or exports against GDP is perhaps 10% in this period. And I guess that's big compared to two or three centuries earlier, but it was much smaller than it would become over the 19th century. Can you give us a sense of how that changes over time? Is it just a continuous smooth increase or are there big breaks?
Brian	No. There is a very big break. So, we really don't see that ratio. So let's say, broadly the trade to GDP ratio. We could look at it on the import side or the export side, but they really bear out the same pattern. We see a sharp jump between 1830 and 1870, and even more specifically in the decade of the 1850s. The 1850s is really the magic decade for British globalization. And I suppose now you'll want to know why that was.
Patrick	Oh, of course, right.
Brian	OK, so and actually it is a confluence of factors. OK, we'll start with shipping. This is really a decade when we see the greatest progress made in the replacement of sailing ships by steamships. So that is insofar as it's reducing the cost of transporting goods going to be very conducive to an expansion of trade. So now, goods that would have been more expensive than their British equivalent in the domestic market when the shipping costs were high, now with lower shipping costs imports can begin to undercut domestic produced goods, particularly agricultural goods.
Patrick	What are we talking about there?

Brian	The main commodity there, and it's received the most attention, rightly, is going to be grain imports. Okay. And of course, that's going to be very important in this period of time in British diets. So here we see grain imports beginning to rise. And that doesn't stop in the 1850s. I'm not suggesting that after the 1850s, the process of globalisation stalls, but it is in the 1850s when we start to see for agricultural goods something of a surge into the British market facilitated in part by declining oceanic transport costs. Now, the other main reason for an increase in trade during the 1850s, also to some extent in the 1840s and in the 1860s, is going to be policy. Okay. So Britain moves toward a much more liberal policy with respect to trade. Part of this is going to be the repeal of the Navigation Act, which we can get to, but it's not only the repeal of the Navigation Act. In fact, it's largely going to be a reduction in import tariffs. So going way back into the 17th century and carrying forward into the 19th century, Britain has a mercantilist trade policy, part and parcel of which were tariffs, which were high, although in keeping with the tariffs that were imposed by other countries at the time. In fact, in Britain, they were somewhat lower. But still, Britain begins to dismantle this protectionist trade policy in really the middle third of the 19th century. You have some reductions in tariffs in the 1820s. There are some reforms during that decade. In fact, you could even look to the decade of the 1770s with the repeal of the Calico Acts to find the sort of incipient trade policy liberalisation. But the bulk of the removal of the tariffs comes in the 1840s. And by the time you get to 1860 with the Cobden-Chevalier Treaty of that year, that's really the last sweeping away of Britain's import tariffs. So, once you get to the 1860s, now, we have a country that is an essentially free trade country. Now, I say essentially, because there are some tariffs that still remain in place for purely fiscal reasons, and they tend to be on luxury goods, which Britain itself could not produce. So on sugar, on tea, on tobacco, there's no sugar tea or tobacco production to speak of.
Patrick	Any wine tariff? I'm sorry? Wine tariffs?
Brian	And wine tariffs even begin to be swept away during this period. Okay, the French were very keen to gain a market for wine. So, this is a period where we have policy becoming much more conducive to trade and also advances in technology, specifically steam shipping, that are raising the level of trade by way of lowering the transport costs. And all of those happened right around this 1840s, 50s period, which makes it very unique. You do have a big bang when it comes to trade, but it also makes it a bit complicated to disentangle the various causes. And there are others as well, but we'll perhaps limit it to that for now.
Patrick	Let's just dive in and just make sure that we've got our understanding right here, because I'm never entirely sure that I can fully grasp these things. I don't really do international trade. I leave it to clever guys like you. But when we're talking about a tariff in this period, what does that actually mean in practise? What does it mean from the perspective of a merchant who's looking to import a bunch of goods? How does it operate? What kind of levels are we talking about? Talk us through what it would actually mean on the ground.

Brian	Right, so an import tariff is fundamentally a tax. It's a tax that's imposed upon goods coming into the country. And a tariff can serve one of two primary purposes. And the first purpose, which is in some ways a more boring purpose, you might say, is the fiscal purpose. The government needs to fund itself. And of course, Britain has, the government has expenses. This is before the welfare state. So, these expenses are not as burdensome as they would become in the 20th century. But it has to repay the Napoleonic War debt. And it has to fund an army. It has to fund a navy. So, the British government needs sources of revenue. And tariffs are fairly easy to collect, especially in Britain, because it is an island nation. You have the ports, the goods come into the ports. And so, it's an efficient way to raise revenue, imposing import tariffs. That's not to say that there isn't smuggling. Yes, that does happen to some extent. The other purpose that a tariff can serve is a protective one. And by raising the price of imports, you therefore render domestically produced goods potentially more competitive. So, if the import tariff is high enough, a good that would be produced domestically and otherwise more expensive in the British market might now become cheaper by virtue of the tariff being imposed upon the imported good. So, tariffs can serve either or both, indeed, of those two purposes.
Patrick	What kind of level? Sorry, just because we're sitting here now in a world where Donald Trump is throwing around tariff levels of 10, 20, 50% at different countries. What is the kind of percentage value of these tariffs?
Brian	Okay, this is actually going to be very different across goods. Now, what's interesting is, okay, if we talk about the present day and some of the discourse around tariffs, people talk about a single tariff rate being imposed against the country. And while in history, there are examples of that, just a uniform rate being imposed upon imports, which by the way, Britain basically did in the 1930s. They had a 10% tariff across the board, and then they tinkered with it thereafter. In this period, in the early 19th century, the tariffs are going to vary greatly according to the commodity, with those luxury goods tending to be subjected to the highest tariff rates, and then manufacturers tending to be subjected to lower tariff rates. To give you an idea, roughly during the course of the early 19th century, the tariff rate fell from around, this is an average, an average across all commodities, the average tariff rate fell from around 50%, or it would have been 50% at some point in the early 19th century. And by the time you get to the 1860s, it gets to the level where it's going to remain until the First World War, and that's going to be around about 5% or 6%. And that 5% or 6% being comprised of the duties on the luxury goods, which Britain is not producing, which are imposed for purely fiscal reasons.
Patrick	Okay, so that's a huge transformation, isn't it?
Brian	Yes, it is quite a dramatic reversal in trade policy. It's not only dramatic in terms of the change experienced, or I should say, in terms of a change across time, it's also dramatic relative to the processes of trade liberalisation, which other countries undertook at the same time.
Patrick	Okay.

Brian	No other country in the world, barring some rather trivial exceptions, came to as fully as Britain did embrace a free trade policy by the middle of the 19th century.
Patrick	I mean, that's a really important point. So, this is really an unusual shift for any country to make in this period to go from very high tariffs to very low tariffs. Can you just give us a sense then of what's happening elsewhere?
Brian	Other countries are going to be moving in a more liberal direction in the middle of the 19th century. And part of this is a bit of following the example of Britain. And Britain can use some leverage in trade policy negotiations to get other countries to reduce their tariff rates. That is happening. Part of it is that economic science is advancing at the time. The ideas of David Ricardo are becoming more diffused internationally. And so there's an academic just, I mean, policymakers don't always listen to academics. And at the time, they weren't listening to academics only, but that does enter into the discourse of the day. So, there's an economic justification for reduced tariffs, and policymakers are becoming aware of this. Britain is leading the way. Other countries are following its example, but no other country really adopts free trade in the way that Britain does. We wouldn't call any other country's trade policy free trade. Now, I have to be very careful here because this all moves in the reverse once we get to the decade of the 1870s, much more so the decade of the 1880s. We have what certain economic historians such as Kevin O'Rourke and Jeffrey Williamson have described as the protectionist backlash. So, these other countries abandoned this period of liberal trade policies, and they move in a more protectionist direction, whereas Britain does not. They avoid the temptation to reimpose tariffs later in the 19th century, although there was a movement within Britain calling for that. Free trade was resilient right up until the First World War in Britain. So, when we talk about the 19th century and trade policy in different countries, yes, there is that variation, but also there's the variation across time that we need to be attentive to.
Patrick	Okay, so this is really interesting. So, we've got a huge policy story here as one of the component explanations for this kind of magic decade of the 1850s. Are you going to keep calling it the magic decade?
Brian	Well, I call it the magic decade. We don't want to overemphasise it, but at the same time, you do see really dramatic changes happening in that decade that are borne out in the economic indicators.

Patrick	Oh, wow. So, this is really interesting. So, we've got this huge shift, a tenfold shift from around 50% to 5%, and that's sustained then as a tariff level, even as other countries shift back into a more protectionist mode until around 1914. So that's a kind of tariff story. That's the story of how much merchants, importers, not so much exporters, I guess, but importers are paying on goods as they bring them in. You mentioned also, obviously, the technology side to this, and the technology side is the steamship, right? How is it that this is so influential just in that decade of the 1850s? Has it taken a long time to get steam engines onto ships? Is there a particularly big moment that's happening?
Brian	Yes. So, I'll mention another great economic historian, Nick Crafts, very sadly recently passed away. He made an important point in his research, and that is the slow period over which these major technologies become implemented within an economy. So, steam technology, oftentimes described as a general purpose technology, because it has so many applications, not just in shipping, but also in rail transport and in manufacturing. So, this is a general purpose technology, but there's a process of incremental improvements to that technology before it becomes profitable to implement in whatever economic activity it's going to be implemented in. So, steam engines are not very efficient initially, but then there's this process of improving them, and then gradually they become adopted where it is profitable to do so. So, it's not as though there's the first steamship in the 1850s. That comes well decades before, and of course, the last sailing ships persist well into the 20th century. It also depends upon the particular route that is being used, where steamships would be more economical for particular routes, whereas sailing ships would be more in use for other routes. But the 1850s is a period when the transition from sailing ships to steamships is happening at a rather rapid rate. And that has to do in large part to the level of efficiency that steam shipping had attained by that point in time.
Patrick	So, these engines have become more efficient, I guess, high-pressure boilers. Is that part of this?
Brian	I don't really know all of the mechanics of this image. I'm at the limits of my technical engineering knowledge here. But I will also say there is a strand of literature within economic history that emphasises other improvements in shipping. Also, the manner in which the ships were packed. So, when you have the ship's hull, depending upon how the packing is done, you can use a greater portion of the volume of the hull. So, we don't want to limit it to just steamships. And also, there's improvements with, for example, the propellers that are being used. There's a whole host of improvements in shipping that contribute to the lower transport costs. But the dominant one, yes, is this adoption of steam shipping.
Patrick	Brilliant. Well, I will clearly have to find a real steamship geek to have a good conversation with because I love this. I'm a huge enthusiast. So, we'll put that a bit to one side, but we've got this second big explanation then for this magic decade then, the adoption of steam, the improvements in shipping that follow that. And that cuts prices a lot. And you mentioned that out of this, some of the composition of imports changes a lot. And we have, for example, grain being transported across the Atlantic, I guess. Is that right?

Brian	Yes. And the growth of that trade continues into the later 19th century. That is also, of course, being facilitated by Britain's removal of the Corn Laws. Okay. So that's the tariff specifically on imported wheat. And so, this is, yes, leading to an increase in wheat within the basket of Britain's imports. Yes. But we also have to realise that Britain is undergoing some demographic change during this period. The population is growing. It's not growing very rapidly. And in fact, Britain is losing people in net terms due to an outward migration. But due to the fertility rates at the time, the population is growing. And of course, the agricultural capacity of Britain is not growing by the same extent. And so, it reaches the limit of agricultural production. So, there is a necessity to importing grain from the mid-19th century onwards. It can't rely solely on its own output of this most important foodstuff for the population.
Patrick	Okay. So, we've got more Britons eating more American bread, basically, Canadian bread.
Brian	Well, and that itself is a bit of a transition, right? So yes, in the mid-19th century, the grain invasion, as it is sometimes called, which also has another period of peak growth in the 1870 to the 1880s due to something called the British agricultural depression but the United States is a major source of grain for Britain. But as we move into the very late 19th century and into the Edwardian period, so the first decade before the First World War, or say the first decade of the 20th century, the last decade before the First World War, we see Britain shifting its source of grain more in the direction of Canada as Canada opens up its interior. And so even when we look at specific commodities, there is change within the commodity, not only change within levels, but also change in a geographical sense.
Patrick	Okay, that's really interesting. Now before we get to, I know we want to get on to the late 19th century and the things that happened, there's one thing we put to one side earlier. We talked a lot about tariff policy. We haven't talked about the Navigation Act. Tell me, what are the Navigation Acts?
Brian	Now, that's a very big question.
Patrick	You can be brief!

Brian	I will be brief. It is a patchwork of legislation that came out of the 17c and 18c that imposed and assorted restrictions on trade, in particular shipping, who could be conducting the shipping, would it be done by British ships or by foreign ships. In other words, restricting trade to British ships. Restricting what could be traded, with whom, and also there were restrictions around, or I should say there was oftentimes the requirement that goods be shipped via Britain itself. And that actually speaks to a sort of separate but related dimension of British trade, which is the entrepot trade. So, it's not always just Britain exporting goods that it itself is producing and importing goods that Britain itself is consuming. There's also this use of Britain as an intermediary port whereby goods come in, get reloaded onto another ship and then go to a different country, and so the Navigation Acts in so as they require some shipping to go via Britain was beneficial to the reexport trade. So, the merchants would really like that, that was really great for places like London. So, the Navigation Acts, they are this collection of restrictions, which get swept away in 1849. Again, very close to the period, or I should say, really coinciding with the time when Britain is removing its tariffs, and coinciding with the time when we have the emergence of steam shipping. And also setting us up for this, we'll use the phrase again, magic decade of the 1850s.
Patrick	Love it. Now, let me just get this right in my head. So the Navigation Acts mean that if you're shipping from one country to another, you've got to use a British ship, you've got to often bring those goods to London, or at least to Britain before you then ship them out to another destination. Where do these apply then? So is this where we're seeing imperial power having an effect on the way in which trade works?
Brian	Oh yeah, it's certainly having an effect on the way in which trade works. It's limiting the geographic scope of Britain's trade. And therefore, when these Navigation Acts get repealed in the late 1840s, it widens the scope, the geographic scope of British trade. And then we see Britain trading more with an expanded set of countries. In particular, Latin America, for example, emerges as more prominent in British trade as the 19th century progression. So, in other words, Britain widens the scope of its trade, and it is able to gain more from trade because it can procure goods from the country, which is selling them at the lowest price, which would not necessarily be a country within the British Empire.
Patrick	So, hang on, let me just get this clear in my mind, because it's something which is really different to the modern way of doing trade. So, say I'm sitting there in Hamburg, and I'm a German merchant, and I'm looking to ship something to London, whatever fancy widgets we have in Hamburg, do I have to use a British ship to get the goods to London? Or can I use a German ship?

Brian	Depending upon the point in time, and again, this is a very complex set of regulations. Depending upon the point in time, you may have, yes, had to use a British ship to get those goods into England or into Britain. So, in that sense, these are quite restrictive. Now, another element to this is that the Navigation Acts are not enforced perfectly over time, and so we know that there's plenty of smuggling that's going on. Now, that you have to, in some ways, guess at because the statistics do not show the smuggling that's occurring. But the informal evidence, or I shouldn't say informal, the evidence from outside of government publications is that there was smuggling and that it was fairly extensive. At points in time.
Patrick	Okay, so that's an example then of, say, a German or, and I guess the same thing would hold with a French or a Dutch merchant being limited on how they could get goods from major countries, major potential exporters to England coming into, major exporters from continental Europe to England. And then I guess this applies even more forcefully if you're, say, in the Caribbean or you're in Canada. Are you required then by the Navigation Acts, I guess, different regimes, different times, but in general, they require you to send your goods first to England, rather than shipping them, say, to a market in, you know, post-independence of the United States or to Brazil. How is that?
Brian	Yeah, oftentimes that would be the case. But there's also this phenomenon of empire to empire trade, but not with Britain, right? So, in other words, there is a, so before the American Revolution, there is a trade going on between the North American colonies and the Caribbean. And that could be a direct trade, right? So, in that sense, no, it wasn't always the case that you had to ship your goods via England. But that was oftentimes the case.
Patrick	Okay, so you could maybe ship them to other bits of the empire.
Brian	But within the empire, it was much less restrictive.
Patrick	Yes. Okay.
Brian	So, the Navigation Acts arose during this mercantilist period, in large part to balkanise trade within empires, and to prevent the outflow of specie or gold. And that's a quite complex topic, which we might not get to.
Patrick	We will deal with that in another episode.
Brian	Maybe we deal with that another day.

Patrick	Okay, so we've got this, but I mean, I think what we've got here is a real sense of the different drivers that are affecting trade and then coming together to create this kind of moment of trade growth in the mid middle of the 19th century. Moving of these very restrictive Navigation Acts, tariff liberalisation, improvements in communications, transport technology with shipping. That's really, that's really helpful. So, we get the sense then we've got a free market period, we've got a few decades where trade is flowing. Now, then things start to shift. And this is something you've worked on yourself. I know you've written various papers about the ways in which particularly colonial trade starts to change in the late decades of the 19th century into the early decades of the 20th century. What exactly is going on here? And where is it happening?
Brian	Right. So, as we move further into the 19th century, into the late 19th century, and especially in the 20 or so years before the First World War, the Dominions become much more important in British trade. So, I should probably spend a second to define them.
Patrick	Yeah, yeah. Tell us what, I mean, the Dominions.

Brian	The Dominions. All right. Now, I'm using this term, admittedly, in a slightly anachronistic way, because they don't formally become known as Dominions until the very early 20th century, apart from Canada, which becomes a Dominion in 1867. But I'm using Dominions to denote portions of the British Empire that have received self-government, which they received also in the 1850s. All right. And so, and they are therefore able to set for themselves their own economic policies. They have their own parliaments. They can pass their own legislation, including tariff legislation. So, they have their own tariffs, which aren't always the same as the British tariff regime. In other words, the Dominions are not free trade, with one exception, that's really New South Wales and Australia. But in any event, you have these parts of the British Empire that have self-government. We'll call them Dominions. What are they? We're really talking about Canada, Australia, New Zealand, South Africa, Newfoundland, which was technically separate from Canada until 1949. So these are the Dominions. But there's also another dimension to this. These are parts of the British Empire that are absorbing, to a large extent, British migrants. So the British Empire beyond the Dominions, so the British West Indies, Africa, India, certainly there were British people there. They were civil servants. Some of them were merchants. But there was not any large-scale movement of migrants to these places to settle on a very permanent basis. British people could certainly be found throughout the British Empire, but they were not found in very large numbers. In the latter half of the 19th century, we have a large-scale British migration to the Dominions for the purpose of settlement. Now, these places are rich by the standards of the day. They are high-income parts of the world for a number of reasons. First of all, because there's a resource abundance. So, the labourers there are going to be very productive because they have all of these raw materials at their disposal. It's also rich because the migrants going there brought with them skills, human capital. So, they were more productive on that account. And also, British institutions were generally favourable to a high level of prosperity. So, a high provision of public goods could be found in the Dominions at the time. So, these are rich parts of the world from the outset. But also, they're becoming economically more consequential because you have more and more people who are producing a high volume of output. So, you have places where GDP per capita is high, and then you increase the population. These economies are growing to be increasingly important in the world economy in the late 19th century, but also increasingly important for British trade.
Patrick	So, just to kind of get a sense, sorry, I know there's so much to say here, right? So, these are really settler colonies in that sense. They're taking big populations. They're gaining autonomy. They're really different than to the rest of the empire. You say they're rich. That's interesting in its own right. And they take a very different position on trade. When does that exactly start?

Brian	From roughly the middle of the 19th century onwards. Of course, when these Dominions were first brought into the British Empire, that's an 18th century development. But when they begin to grow in earnest, it would be from the middle of the 19th century. And that actually has, in some sense, the same cause as the growth of trade, because as you have the improvement in transport, the cost of migrating is going to fall. And that's a major determinant of individuals' decisions to migrate. And as well, these parts of the British Empire, these Dominions, with policy autonomy, they are able to pass legislation offering inducements for migrants to come. So, you have the policy determinant, but you also have the transport determinant. And they're both working in favour of migration to the Dominions. So, their populations are growing. And consequently, the Dominions are becoming a more important component of Britain's trade with its empire. And what does that mean? That means that there's a relative decline in Britain's trade with the part of the British Empire consisting of non-Dominions. So, throughout the 19th century, the Caribbean, the British West Indies, this really declines in significance within British trade. It was nowhere near as important by 1913 as it was in, let's say, the 18th century. And the Dominions are accounting for an ever larger share.
Patrick	Okay. You just remind me something. Before we get into the details of what the Dominions then do in terms of shifting away from what you might think of as the main British policy, we've talked a lot about changes in the overall flow of trade. We haven't actually talked about the balance of trade within and outside of the empire, which is one of the big features, I think, of the 19th century. Can you give us a rough sense of how much trade is going on between Britain and the different component parts of its empire, be they Dominions or otherwise, and with countries outside of empire?
Brian	Yeah. Okay. So it is fairly stable throughout the 19th century. That's not to say that there aren't forces that might be offsetting each other. But throughout the 19th century, we're looking at around about a third of the trade being with the British Empire, considering both exports and imports. And it's not so very different on the export and import side. At no point in the 19th century was the majority of Britain's imports sourced from the Empire. And at no point in the 19th century were the majority of Britain's exports destined for the Empire. The Empire was always, throughout the long 19th century, comprising the minority of British trade. And that is actually something that people might be surprised at. Because when you talk about British trade in the 19th century, this almost immediately conjures up the notion of the British Empire. But we have to have a sense of its relative proportion. And its relative proportion was smaller than the proportion of British trade that was going to the non-empire, in particular, continental Europe. And of course, there's some misunderstanding of this emerged during the Brexit debate, of course. I was quick to remind people that British trade with Europe, continental Europe, was as important, if not at times more important than Britain's trade with its empire, even during the heyday of the Empire, even during the high imperialist period of the late 19th century.
Patrick	Okay, so this is kind of, as you say, a little bit against the grain of people's intuition about the 19th century, somewhat surprising. So, if we think about this, we've got a kind of world in which the economy of the empire, if we think about it like that, right, the flow of trade between Britain and its different components, it's always a minority. And you mentioned Brexit, you mentioned the Continent. Is this really because of some of the fundamental drivers of trade? Is it simply that Britain may have control of a large part of the world, but that part of the world is very distant? And some of the biggest markets for British producers are very close, and they're not part of the empire. We do not conquer France.
Brian	So, within trade, as it is studied by economists, there is the gravity model. And I will be very light touch when I explain this gravity model. The gravity model has, as its premise, that trade is proportional to economic size, and it is inversely proportional to the distance between the trade partners. Continental Europe in the 19th century, and today, is economically large, and it is also approximate to Britain. So, both of these bode in favour of Britain doing a lot of trade with

	continental Europe. The Empire, while certain parts of it are becoming quite rich, and that's a change that is happening, the Empire cannot match the sheer economic size, not geographic size, the economic size of continental Europe. And of course, the empire is very far-flung. I mean, these are enormous distances. They're called the Antipodes because they are on the other side of the world from Britain. So you can't get further away from Britain, really, than Australia or New Zealand. And so, in some ways, we might think that it is amazing that British trade, that Britain traded as much as it did with the Empire, given the fact that it's not as economically large as continental Europe and given the fact that it's so much further away.
Patrick	So, this is really, this is really interesting. So, these big, rich markets that are local to Britain, those on the continent, dominate trade. And you mentioned there, the strangeness of the scale of trade with these more distant parts of Empire. Is there an argument that there's a loss through the maintenance of these very distant trades, or does that not really hold?
Brian	No, I wouldn't say that there's a loss through the maintenance of these distant trades, and I should say that even though continental Europe was very important for British trade, and we can explain that in terms of distance and in terms of economic size, Britain actually traded more with its Empire than would be predicted on the basis of its economic size and the distance of the colonies from Britain. So, Britain has a strong relationship, trading relationship with the empire, conditional upon the distance of the colonies and conditional upon the GDP of the different colonies within the British empire. So, there is this so-called empire effect, and this has actually gotten some attention recently in the economic history literature. There's a new working paper that was out this year by David Jacks, among other co-authors, and they quantify the empire effect, and that empire effect is at least double. So, in other words, Britain is trading twice as much, oftentimes much more than twice as much, with its empire than would be predicted based upon various economic characteristics. So, while Britain's trade with the British empire is less than half of its total trade, it's much more than would be expected given the size, given the distance, and we as economic historians can quantify that effect. And the effect that has been quantified is really quite large and persistent throughout the whole of the 19th century, with some changes from decade to decade.
Patrick	Okay, so empire does really matter in shaping trade?
Brian	Oh, it absolutely matters, yes. And so in other words, if you took all of those colonies within the British empire, the colonies, the dominions, and we were to, for a moment, wave a wand and pretend that they were not part of the British empire, Britain's trade with those parts of the world would fall by at least half, probably much more.
Patrick	Okay, wow.
Brian	So that part of the empire does have an effect on the value of trade. Now, the channels by which that happens are many and diverse, and in some ways that's a lot more interesting than just quantifying the empire effect itself.
Patrick	So maybe you've introduced this, but by channels we mean all the kind of different reasons why this might come about, this empire effect. Can you give us a sense of what they might actually be? What are the reasons for this?

Brian	Yes. So, one of the reasons is common consumer preferences. So, I've already mentioned that the dominions were becoming populated by people who had emigrated from Britain, and these people brought with them the whole set of tastes that they had when they were living in Britain. And those tastes were conditioned by British society. So, when they moved to Canada or to Australia, they wanted the fashions from London. They wanted Cadbury's chocolate. They wanted British distilled spirits. So those consumer preferences were actually quite important in determining the level of trade. They raised demand for British goods relative to demand for manufactured goods from non-British countries. So that's going to be one of the important determinants of this empire effect. Another important determinant of the empire effect is that Britain and most, although not all, of the Empire is on what's called a gold standard, meaning that essentially there's a fixed exchange rate between Canada and Britain, between Britain and Australia. And this is also going to be very conducive for trade, because when you eliminate the exchange rate variability, in some ways there's less risk for merchants to engage in trade with Britain than to engage in trade with some other country where the exchange rate might fluctuate. So that's another reason why we observe this empire effect. Another reason is, and there are many, I could keep I'll just say somewhat quickly, common language. If you are engaged in some sort of transaction, it is much easier to do that if you are speaking the same language as the counterparty to that transaction. There's a common legal system. So, within the British Empire, there's common law. So, let's say there is some commercial dispute. This is going to be adjudicated within a common law legal system, as opposed to a civil law legal system, which is predominant in continental Europe. And so, in terms of the legalities of trade at the level of firms, you're reducing risk by engaging in trade with a British counterparty. Finally, and I think this probably is going to warrant a more extended discussion, concerns trade policy. And that undergoes a transformation as we move into the very late 19th century, really the early 20th century, not on the part of Britain, because Britain, as we've already said, remains free trade. But the Dominions, who have the power to set their own tariffs, and do, begin to alter their tariff rates so as to be favourable toward Britain.
Patrick	This is great. So, we've got this empire effect. I love the kind of reasons like language, law, trade policy, money. I particularly love the idea that this is about the desire for Scotch whisky, English gin and chocolate from Birmingham.
Brian	And if you want to read all about those examples, and the book is full of them, please look at McGee and Thompson's book published by Cambridge University Press in 2010, Empire and Globalisation, circa 1850 to 1914. And it goes through in a very colourful way, all of the examples of common consumer preferences and British firms going into the Dominions and selling this good or that good. I mean, it's not just a laundry list of examples. There is an argument that emerges. And the argument is really the one that I've just said, a collection of social linkages underpins the higher level of British trade with the Dominions than would be predicted based on economic variables alone.
Patrick	Brilliant. So, society, culture, those are taken with the settlers. That's important.
Brian	Yes.

Patrick	Now, you raise this kind of trade policy, these preferential tariffs. Now, this is something you've worked on. So, this is a passion for you, right?
Brian	That's not far off the mark. Yes, I very much am interested in this topic, because it really brings together quite a number of countries. And let me explain for a moment. You have Britain, I think we've already gotten a fairly good sense of Britain's position at this time, free trade, an industrial country, but an industrial country that is confronting an ever greater amount of competition from a second generation of industrialising countries. And the canonical cases are the United States and Germany. These are the emergent industrializers of the late 19th century. That's a whole different discussion as to why they industrialise, but they do. Okay. Particularly after 1890. And so, Britain is competing against the United States and Germany in third markets. So, for example, Latin America was a prominent theatre of competition between these industrial powers. But increasingly, the newer industrializers are competing even in empire markets. So, in Canada, Australia, New Zealand, South Africa, and in India and in other parts of the British Empire, these countries are making inroads into those markets, not at the same pace within particular industries, but on the whole, they are increasing their exports to British Empire markets. And of course, this leaves the British uneasy. The British are also suffering from a loss of exports to non-Empire markets that are pursuing policies of protection, such as the United States. So British exports to the United States are falling off quite dramatically during this period. British exports to continental Europe are not growing quite as much as they would have absent the protectionist policies that were pursued there. And so, there is momentum around creating some sort of trade block, whereby Britain receives some preference within Empire markets, partly as a way to compensate for the slow growth in its exports to non-Empire markets. And this starts, I mean, the idea had been around for some time, but it gains traction in the 1890s, in particular at the 1894 Colonial Conference, where there is some non-binding resolution on the part of the Dominions to offer preferential tariff rates to imports into their markets coming from Britain. Well, eventually the first Dominion to do this is Canada in 1897. It's followed by New Zealand in 1903, South Africa in 1903, Australia in 1907, India, which is an interesting case, and one that doesn't really fit very well in this Dominion non-dominion dichotomy, just because of its peculiarities related to British colonial governance of India. They ultimately do extend preferential tariff rates to Britain, but not until the interwar, not until 1927. So, we have these dominions offering preferential tariff rates to imports from Britain by the time of the First World War. And part of my research has been to gauge the effect or lack of effect of those policies.
Patrick	Just give us a sense before you tell us what you found. What kind of preference? I mean, is this is this some kind of discount on the amount of customs that someone pays when they ship from Britain to Canada versus shipping other people from Germany to Canada?

Brian	This policy, which is described as imperial preference, refers to some preferential tariff rate being given to goods coming from Britain alone or goods coming from the British Empire as a whole. OK, so there is that distinction, although most of the dominions imports from the British Empire are coming from Britain itself. OK, so in other words, trade between Australia and Canada is not very right. So, it's sort of hub and spoke arrangement within the British Empire. The goods go to Britain and out of Britain, but there's not much trade between and among the spokes. Now, I say preferential tariffs. There are different ways that that can be implemented. And the policies of imperial preference that are pursued among the Dominions in this period vary in a number of ways. There's not some sort of uniform policy of imperial preference. I will give you an example. In Canada, the imperial preference took the form of reductions in tariffs on goods coming from Britain. And that was implemented progressively over a number of years in the late 1890s into the early 1900s.
Patrick	And how big a reduction might that be?
Brian	Ultimately, one third.
Patrick	OK, so that's really meaningful.
Brian	If the tariff on an import was 30 percent, the British good would only pay 20 percent. OK, so whatever was the tariff, it was reduced by a third. New Zealand does something different, however. New Zealand confers preference by way of increasing the tariff rate on goods coming from outside the British Empire. OK, so in other words, the tariff on goods coming from Britain remained unchanged, but Britain gets some advantage because now goods coming from the U.S. and Germany and Belgium and Italy, now those goods are subject to a higher tariff rate. And there's a whole interesting backstory there because, of course, within the Dominions, you have political parties. And so imperial preference could be appropriated by protectionists, as it was in New Zealand. So imperial preference was achieved by way of higher tariffs. But in Canada, imperial preference was achieved by way of lower tariffs, which was a policy objective of Canadian liberals. So, there are differences across the policies of the Dominions. Another difference is that some of the policies applied to all commodities, whereas in some cases it was just applicable to selected commodity imports. So, we can talk about imperial preference as a whole, but we want to appreciate the diversity of these policies. And not only that, even within certain Dominions, the policies are changing over time. The scope of commodities is being widened. The margin of preference, so the difference between the tariff on British goods and non-British goods, is being varied. So, it's a changing set of policies. And that process of change continues well past the First World War into the interwar period.
Patrick	Okay, so we've got this kind of increasing move towards a preference system from around 1898 onwards. So how important is that in changing the flows of trade within the empire?

Brian	It depends on the Dominion. I say that because I have one paper that I've written, which focusses on New Zealand, where I do not find much evidence of an effect apart from those commodities where the difference between the tariff on the British good and the non-British good was very wide. So if there was a big difference, let's say 20% or more, 20 percentage points or more, then you start to see some trade diversion. Then you start to see New Zealand switching back to procuring its imports from Britain, as opposed to the United States. Now in Canada's case, there's a much bigger effect that we have, and I should say we, my co-author Ian Key at Queen's University in Canada, that we have quantified. And part of the reason for that is because Canada's, the margin of preference, so the difference between the tariff rates between goods coming from Britain and goods coming from the United States, was very large on the whole. But also, because Canada was a battleground between the United States and Britain when it came to manufactured goods. And that can also be explained by the gravity model whereby the United States, a large economy and a proximate economy, is going to have those advantages in the Canadian market, whereas Britain is disadvantaged by being more distant and being, by this point in time, economically smaller than the United States. So, in Canada, we find a pronounced effect, and that does give some boost to British trade during the Edwardian years. But in New Zealand, the effect is, there's really very little in the way of an effect that can be ascertained. And what research has been done on Australia suggests that imperial preference in Australia was not very important in altering Australia's trade flows. No study has been done for South Africa's policy. And I think that would be very difficult because immediately before the South African policy of imperial preference, we have the Boer War. And you would have to, so you don't have a period of constancy prior to the policy as a basis for gauging its effect.
Patrick	Okay. So, if I think about, I want to get a kind of figure in my head for the impact of this Canadian preference policy. I mean, you gave a sense for the New Zealand one, but what kind of shift are we seeing as an effect of the Canadian policy at its height before the First World War?
Brian	Okay. So in that particular paper, our time horizon goes up until 1903. So, in other words, three years after the full implementation of the policy, and we could consider that the short term. In the short term, the effect was as follows. But for the policy of imperial preference, the value of Britain's exports to Canada would have almost exactly half of what it was with reference. So that is enormous.
Patrick	And that's a doubling
Brian	The effect was to double what it would have been. And I see no reason to think that that would not have held if we extended from 1903 to 1913. Because Canada did not reduce its margin of preference between 1903 and 1913. So, in other words, that is very dramatic. Now, of course, we have to remember, Canada was not Britain's only export market. So, if we look at Britain's exports in aggregate, the effect is going to be much smaller. But with respect to Canadian trade, this is enormous. And it's also not trivial with respect to British exports.

Patrick	Okay, we've talked a lot here about different aspects of trade. And the nice thing here is that we're seeing some of the same effects that we talked about in the century, right? We're seeing this balance between empire mattering in terms of shaping the direction of trade. But we're also seeing that within the overall volume and body of trade, it's not dominant. These are small effects, they're really present, but they're not driving the nature of British trade in the long 19th century.
Brian	I think that's really perfectly put. Yes, it's a determinant of British trade, collectively across all these different dimensions, but it's certainly not the sole determinant, nor is it the main determinant. So, I think that would probably be putting the empire in its right, or I should say, giving it its right relative magnitude.
Patrick	Brilliant. This has been incredibly informative. Thank you so much, Brian. We've really got a sense now of the flows of trade, the structure of trade. And there's many more things we could talk about in future conversations, but I think this has been just really, really helpful in terms of laying out the foundations, the patterns of trade, and that kind of balance between understanding Empire as a really important structure that shapes the direction, shapes some of the nature of trade, but never actually dominates British trade. And I really thought it's really, really interesting to learn about the magic 1850s, that great decade where things change.
Brian	If you want to read more about the magic 1850s in a very digestible format, I'm going to refer you to a book. It's called The Great Victorian Boom, or something like that. It was written by Roy Church, 1850 to 1873. So, I don't want to claim originality with respect to placing an importance on the 1850s, but certainly it is warranted.
Patrick	We will put that in the show notes. But thank you so much. Really very much appreciate it. And we will speak again soon. Thank you so much, Brian.
Brian	Thank you, Patrick.