



Book review

Ronald Findlay, Kevin H. O'Rourke, *Power and Plenty: Trade, War, and the World Economy in the Second Millennium*, Princeton University Press (2007)

Introduction

Two distinguished scholars of international trade – one an economic theorist, the other an economic historian – have combined to produce an outstanding survey of world history recounting the evolution of world commerce in tandem with the ebb and flow of military expansion. This impressive and sweeping work is likely to be required reading for many students and professors for years to come. The authors confront us with the sobering fact that trade may be the handmaiden of prosperity, but profitability rarely was the sole reason for enhanced commerce. Politics determined when trading was feasible at least as often as commercial opportunities shaped political institutions. Findlay and O'Rourke show that force was often necessary to safeguard trading routes and shipping lanes on the one hand, but that the potential for improved commerce was just as often warped by the colonial and military ambitions of the great powers. Furthermore, improved trade was often the secondary byproduct of complex struggles for regional domination.

Where most writers on commercial history have focused exclusively on the West or on isolated periods in world history, Findlay and O'Rourke have taken on the ambitious task of surveying all of economic history in the last millennium, and all of the primary trading powers and their attempts to extend dominion to the edges of the world.

Read in one great rush, the book reminds us that most of what passed for normal trade took place against a backdrop of war and conquest that we shy away from thinking about.

We may look with horror at the Pax Mongolica that prevailed in Asia for over three centuries, but it is difficult to evade the reality that a less brutal alternative was not feasible. How does one compare a prosperous era predicated on early conquest with the counterfactual of a more contentious, unstable period with multiple warring states? Of course, contemporaries had little choice in the matter. So it is fortunate for us that we live in a comfortable time that allows us to examine the effects of Mongolian excursions on trade in the thirteenth and fourteenth centuries from a safe distance. After cementing their control of the center, the authors argue that the Mongols' desire to promote trade led to a situation where “the routes across Central Asia were safer and busier than previously or subsequently” (p. 106). Furthermore, European trade with the East in the fourteenth century benefited especially from the improved land safety made possible by the world that Kublai Khan had wrought. A striking piece of evidence for this is that Southeast Asian spices were often shipped north to inland China for trade with the West, bypassing the convenience of southern ports. Given the natural cost advantages of sea versus land transport, this points to the relative stability and effectiveness of Chinese trading networks and highlights how much of the Middle East port trade suffered due to their lower reliability and more inadequate institutional safeguards. Judgments based solely on commercial success are highly dubious, but judged solely on the promotion of trade, Mongol-ruled China seems to have flourished.

Of course, the bulk of the work is focused on European trade and especially the rise of England in the seventeenth century, through the Industrial Revolution of the eighteenth century, to the European industrial hegemony of the nineteenth century, and then on to the continued dominance of the Anglo sphere in the American Century. The authors draw on an extensive and contentious literature on European development in their survey. Here they sketch the tale of global commercial expansion against a backdrop of military conflict and colonial aggression. Nonetheless, while doing a splendid job of demonstrating how important the political situation was to the maintenance of international trade, it would have been nice to see more specific confrontation of the counterfactuals involved. In particular, what part of British naval projection played a positive role in protecting and defending the nation and its subjects, and what part was a more expansive, and possibly costly projection of power that may have actually lessened British welfare even as it enriched certain subsets of society?

Most interesting of all is the comparison and contrast between the rise and fall of international trade in the nineteenth and twentieth centuries. The nineteenth century was, despite setbacks, the scene of the greatest period of openness in European trade that the world has ever seen. This general progress on the part of the leading nations was not without hiccups. Moreover, it seems that some individual countries were able to benefit from more protectionist policies in a sea of generally liberal trade reform. How

much of these growth differentials was due to the genuine benefits of targeted trade policy in promoting industrialization, and how much was a form of free-riding on the generally liberal late nineteenth century trade regime, are still subjects of dispute. But this golden era of quasi-free trade, combined with easy movement of capital and labor, was to be reversed with the coming of the First World War and the Great Depression when war and protection pushed nations away from each other. Only after the Second World War did we start seeing a return to an open and expansive world trading system. Even here, there was a divergence between the policies of the advanced nations and that of the Third World that generally favored import-substitution policy that depressed participation in international commerce. For the most part, this had inescapably negative consequences on the ability of poorer nations to benefit from postwar prosperity. In some cases, notably Argentina, once prosperous nations fell back well below the also-rans.

Although the decades since 1980 showed a universal trend towards liberal trade, the new openness is being threatened by disappointment as poorer nations have seen that liberal trade and macro policy have not guaranteed instant transformations in their rates of growth, despite a general trend towards convergence between the leaders and followers with the notable exception of most nations in sub-Saharan Africa. Moreover, the economies of the two most populous nations – India and China – are undergoing a commercial resurgence and their trade policies are clearly more open today than they had been a quarter century earlier. The only question now is whether Latin America, Africa, and the Middle East will be able to see transformative growth and substantive policy change as well.

However, the authors express concern that political trends may not allow this liberal globalization to persist. In particular, unskilled workers in the richest nations increasingly perceive themselves to be the losers in the recent globalization. Whether shifts in factor prices are in fact large enough to explain the distributional fears of these voters or whether they are mistaken in their beliefs is largely irrelevant. Leaders of the developed world need to tailor policies to these concerns if they are to continue to sustain the impetus for expanded trade. Technological change itself may be a much larger promoter of the supposed ills of “globalization” than any increases in commercial openness but any political turmoil resulting from economic instability is likely to lead to a worldwide movement to restrict trade flows. As this is primarily a work of economic and not political history, the authors have only a limited analysis of the politics that would be necessary to manage the international institutional transformation that they see as necessary and inevitable in the years ahead.

Faced with such an impressive tome, I hope it will not be considered churlish to bring up two caveats about the work, one stylistic and one substantive.

The first is that the writing can be somewhat dry and academic. The descriptions are often too compressed, and the frequent recourse to lists of macroeconomic statistics in some chapters can make for difficult reading. Many long passages involve recitations of macro trade statistics that can seem unrelenting. Though there is much analysis, it is not always carefully integrated into the discussion. Some rewriting and perhaps more liberal use of graphs and tables might have improved the flow of the exposition.

Moreover, this stylistic problem carries over into my more serious concern about the book. In some ways, this is an old-fashioned work because many of the statistical descriptions are used to highlight macroeconomic transformations in international trade policy with only limited guidance for the reader in understanding what mattered and why. Except in a few limited spots, there is no attention paid to institutional differences between regions, and how such institutional differences may amplify or depress the benefits and costs of expanded trade.

To the extent there is an underlying theme, it is that trade policy was important but that politics often determined what that policy was going to be. Despite the title, however, there is little analysis of when political considerations seriously changed policy in ways that harmed or helped the economy. We have no idea when a change in political ideas leads to substantive policy changes or when political conflicts mask an underlying constancy in commercial relations. Moreover, there is often no discussion of how the results of a particular trade policy fed back into its politics.

This is most peculiar in the case of Great Britain. Of course, British trade policy is discussed in its relation to industrialization, and the authors are correct to make the point that its military success assured the sea routes that enhanced its trade. Yet, they do not work hard to make the case that this trade was significant for Britain's economic success. They refer to but do not truly engage the literature that claims that industrialization could have occurred without much international trade, especially colonial trade. They do not really settle the problem of whether trade made possible British development or whether improved trade was merely an outgrowth of successful industrialization. And there is even less about the costs and benefits of imperialism. They refer to the unsettled debate about the true costs and benefits of the British empire, but don't really do much to help resolve the issue. Indeed, it is a bit of a surprise that they overlooked [Lance Davis and Robert Huttenback's research \(1986\)](#) and the attendant controversy over the claim that British imperialism was, on the whole, a net loss for the home economy.

Moreover, the most thorough analytic discussions are those surrounding the rise of Britain and industrialization of the late eighteenth and early nineteenth century. With that one exception, rather short shrift is given to the critical question of how important trade policy really was, both for the ancient and modern world. Recent research points to the importance of other factors – especially institutions and/or culture – in shaping the fundamental success or failure of economies, with trade being only a secondary consideration. Others have argued for the dominant role of demography, at least until the period of industrialization. If the authors disagree with these claims, in whole or in part, it would have been good to see a demonstration of when trade policy really mattered, particularly in the nineteenth and twentieth centuries. But they only mention these issues without pointing us to evidence that would help settle the debate or at the very least provide us with a framework for making the comparison. In a tantalizing section on trade policy in the 1930s, the authors indicate that countries that engaged in protectionist policies may have produced benefits for themselves in the short run but persisted in maintaining tariffs past the point of optimum benefit. The authors don't really help us

understand the evidence for this, nor guide us in evaluating when protectionism might or might not help. And there is never any discussion of the public choice questions regarding the extent to which protection – even when “optimally” applied – leads to political capture that produces rent-seeking behavior that would dissipate or render irrelevant attempts at efficient interventionist policy.

Yet despite my reservations, I must repeat that this remains an important work and an essential reference. If I wished them to do more, it is because so much has already been accomplished in this impressive book.

Reference

Davis, L.E., Huttenback, R.A., 1986. *Mammon and the Pursuit of Empire: the Political Economy of British Imperialism 1860–1912*. Cambridge University Press, Cambridge.

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10 March 2008