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How trade cannot be made without war, nor war without trade

PROF FRANK GEARY

BOOK REVIEW : *Power and Plenty: Trade, War, and the World Economy in the Second Millennium* by Ronald Findlay and Kevin H O'Rourke; Princeton University Press; £23.95 (€32).

WHEN GENGHIS Khan led his hordes across Eurasia and Christopher Columbus first set foot on the Bahamas, and when Richard Arkwright set up his first cotton-spinning mill in Cromford in Derbyshire, they were each pursuing personal ends. But according to two economists and economic historians - Ronald Findlay of Columbia University and Kevin O'Rourke of Trinity College Dublin - what they each did formed a key part of events that ultimately shaped our modern world.

In this magnificently conceived and executed work, Findlay and O'Rourke set out the history of global trade and show how it has influenced and been influenced by economic development and politics over the last thousand years.

In the pages of an economics text, trade is a bloodless affair concentrating for the most part on a static, frictionless exchange in which the height of conflict between the trading partners is the adoption of restrictive trade policies. Historically, however, as the authors point out, trade has frequently been an altogether more bloodspattered business: from the conquests of Genghis Khan, through the Iberian voyages of discovery and the conquest and settlement of the Americas, to the struggle for supremacy between the Dutch Republic, England and France in the 17th and 18th centuries, the expansion of the Russian and Chinese empires, and the imposition of free trade on large parts of the world by the European empires of the 19th century, military force has been a major influence on the growth and pattern of world trade.

As JP Coen, the fourth director of the Dutch East India Company, told his board of directors: "We cannot make trade without war nor war without trade." Power enabled trade, trade begot plenty and plenty begot power: power and plenty were mutually reinforcing.

The authors identify seven world regions in differing degrees of development and trading contact at the start of the second millennium: western Europe; eastern Europe; the Islamic world of the Middle East and North Africa; central Asia; south Asia; southeast Asia; and east Asia. The balance of power and plenty resided with the Islamic world and Sung China. Western Europe was a backward, peripheral region engaged in limited trade with the Islamic world and eastern Europe.

Three great shocks were to alter this hierarchy: the black death of the 14th century and the differing responses to it; the discovery and incorporation of the "new world" into the "old" between the 16th and 18th centuries; and the industrial revolution of the 18th and 19th centuries.

The creation of a Mongol empire encouraged long-distance overland trade between western Europe and Asia. More than commodities and ideas, though, were exchanged: devastating disease in the form of the black death was spread by Genoese traders to Europe and the Islamic world. Population decline led to rises in labour productivity and real wages since capital and land were unaffected. In western Europe this led to an increase in urbanisation and manufacturing activity, in eastern Europe to an increase in serfdom, and in the Islamic world to industrial decline.

The different outcomes are attributed to different institutions: weaker rulers in eastern Europe were more willing to accede to the demands of landowners for tied labour to deal with labour scarcity, while in the Islamic world strong central rulers bent on extracting maximum current income from their lands took harsh measures to maintain rents, impoverishing peasantry, artisans and merchants alike and contributing to economic stagnation and relative decline.

The end of the Pax Mongolica made overland trade with Asia more expensive. Western Europeans sought an alternative route to the Indies. The results were the discovery of America - the second shock - and the passage to the East Indies via the Cape of Good Hope. New-world silver stimulated trade within and between the economies of Europe and Asia. Ultimately, though, it was new-world production and consumption that would, as the vast empty spaces of the Americas were populated by slave and free labour, prove crucial when the third shock unfolded: the industrial revolution.

The struggle to control maritime trade routes and trade with Asia and the Americas lay behind the wars waged between the Dutch Republic, Britain and France in the age of mercantilism. British success in this struggle proved vital to subsequent developments. Trade was what enabled the capital investment and technological advances of the industrial revolution, unlike earlier expansions elsewhere, to become self-sustaining growth.

On the supply side, new-world land worked by African slave labour provided the cheap raw materials that prevented growth being stifled by rising raw material costs. On the demand side, trade prevented British export prices from falling much faster than they would have done had the economy been closed. Trade was of course underpinned by British naval power: "Power was indeed important in providing for plenty . . . the royal

navy brought economic as well as military benefits to Great Britain."

As the industrial revolution spread to the rest of Europe and the "European offshoots", a new era of globalisation began. As in past globalisations, violence and conquest had a role to play, exemplified in the relationship between the European powers and Asia and Africa. But now the new technology applied to lowered transport costs, thus integrating commodity and factor markets as never before. The result was the "great specialisation", in which by 1914 a core of industrialised economies exported manufactured goods and imported primary products from the rest.

The first World War brought 19th-century globalisation to a sharp halt. Post-war reconstruction was brought to an equally sharp halt by the Great Depression, which ushered in mass unemployment, a rise in protectionism and the second World War. It was only in 1972 that global trade reached the level that it would have been at had pre-1913 trends been maintained.

Since the 1980s, another era of globalisation has begun in which the industrial revolution has spread to the rest of the world, marking the start of the unmaking of the "great specialisation" of the 19th century, and allowing the Asian tigers - China and India - to begin to catch up on the leader countries. This prompts the question: can the Middle East, Latin America and Africa follow suit?

The authors have an important story to tell and they tell it superbly. This is a work brimming with scholarship, deftly combining narrative history with accessible economic analysis. The preceding attempt at a summary cannot do justice to the epic tale that unfolds in its pages. This is a goldmine of book. Open it where you will, there are nuggets to be extracted. It will remain the standard work on the history of world trade and indeed the development of the world economy for many years to come.

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