

Topic # 10: Broader global consequences associated with first industrial revolution.

(\* -DL) North (1968), “Sources of Productivity Change in Ocean Shipping, 1600-1850”, Journal of Political Economy, Pg. 953-70.

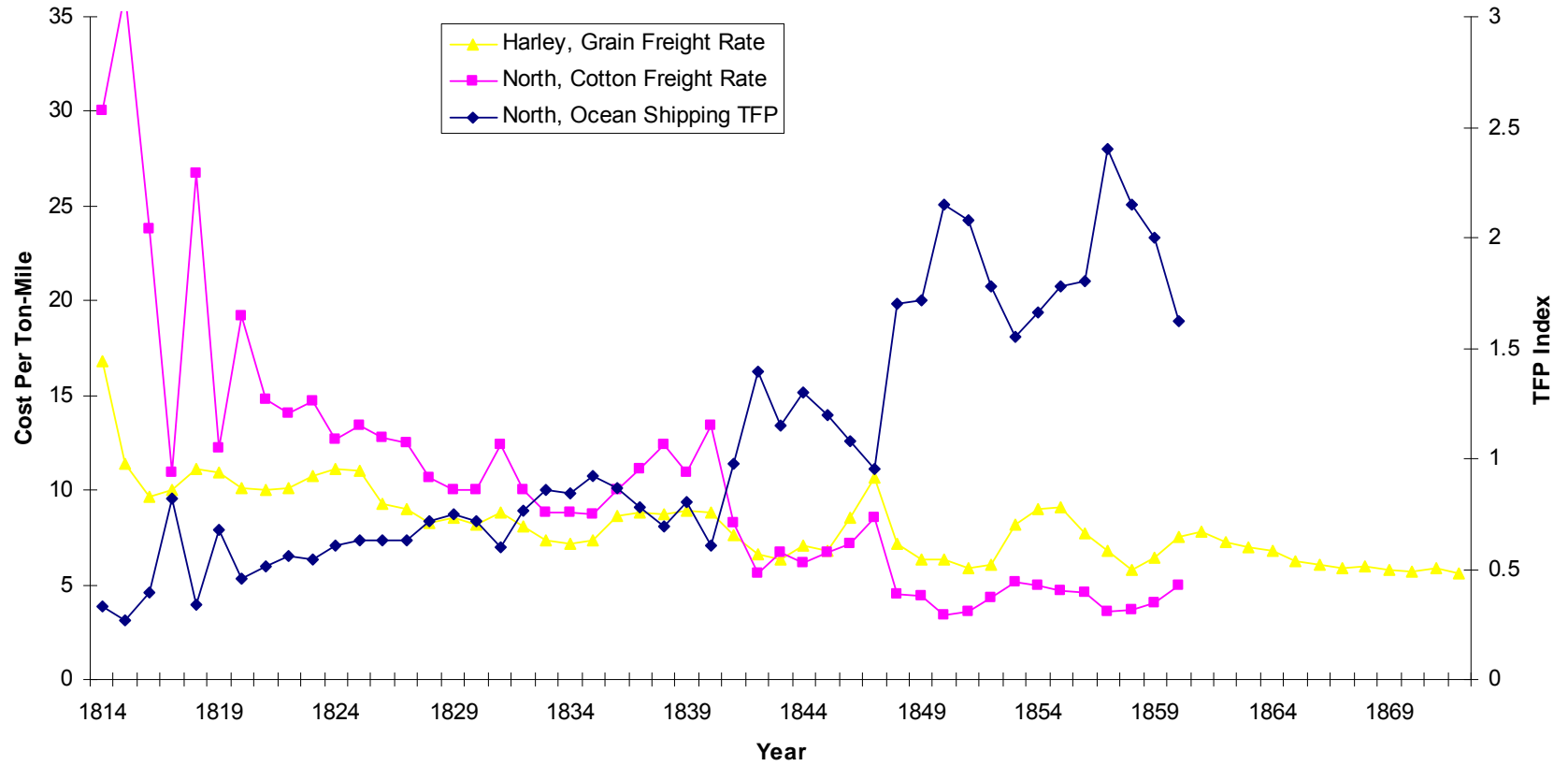
(\* -DL) Harley (1988), “Ocean Freight Rates and Productivity, 1740-1913: The Primacy of Mechanical Invention Reaffirmed”, Journal of Economic History, Pg. 851-76.

- Question: What role did British technology and the British economy play in 19<sup>th</sup> c. globalization?
- Theory: Basic trade theory and productivity measurement.
- Evidence: International prices and productivity in shipping.

- Globalization  $\Rightarrow$  integration of international goods, labour and capital markets.
- Causes:
  - Literacy
  - Institutions
  - Britain (demand and new products)
  - Falling trade costs
- Evidence on British M demand and X supply.
- Trade costs  $\Rightarrow$  trans-Atlantic freight rates.

- North (1968)
  - o Freight rates fell / productivity rose before first industrial revolution technology or British demand.
  - o Improved navigation / organization / port facilities.

### Nineteenth Century Atlantic Freight Rates



- Harley (1988)
  - o North index dominated by cotton.
  - o Improvements in cotton packing.
  - o Broader index shows gradual productivity ↑ until after 1850.
  - o Post-1850 productivity gains due to fuel and size.

- What explains early push towards globalization?
  - o Not shipping cost ↓
  - o Not ↑ British real wages
  - o New products (cotton textiles)?
  - o L and K mobility?