

WHAT MADE BRITAIN RICH?

Dr Eamonn Butler

Adam Smith Institute

Presented at Himalayan White House
International College, 14 February 2016



- ❑ Permissive Legal System
- ❑ Property Rights
- ❑ Rule of Law
- ❑ Free Trade



Low taxes
Deregulation
Private Finance
Limited Government

Industrial Revolution 1750-1820

- Prompted huge rise in wealth & living standards

▣ Wages grew rapidly:

1760 – \$400

1830 – \$500

1850 – \$800

▣ Wages grew rapidly:

1760 – \$400

1830 – \$500

1850 – \$800

▣ Average life expectancy rose 5 years

1781 – 35 years

1851 – 40 years

▣ Average life expectancy rose 5 years

1781 – 35 years

1851 – 40 years

Pre-industrial society

- ▣ Trade heavily regulated
 - Artisans' movement
 - Government monopolies
 - Bans on innovations
 - Subsidies to exporters
 - Tariffs against imports

- ▣ No property rights
 - Subsistence farming
 - No capital accumulation





Enclosure acts (1604 onwards)

- Family-owned farms
- Desire to improve

Then: Inventions

- Seed drill
- Crop rotation



Jethro Tull
Seed Drill 1701

Jethro Tull
Seed Drill 1701

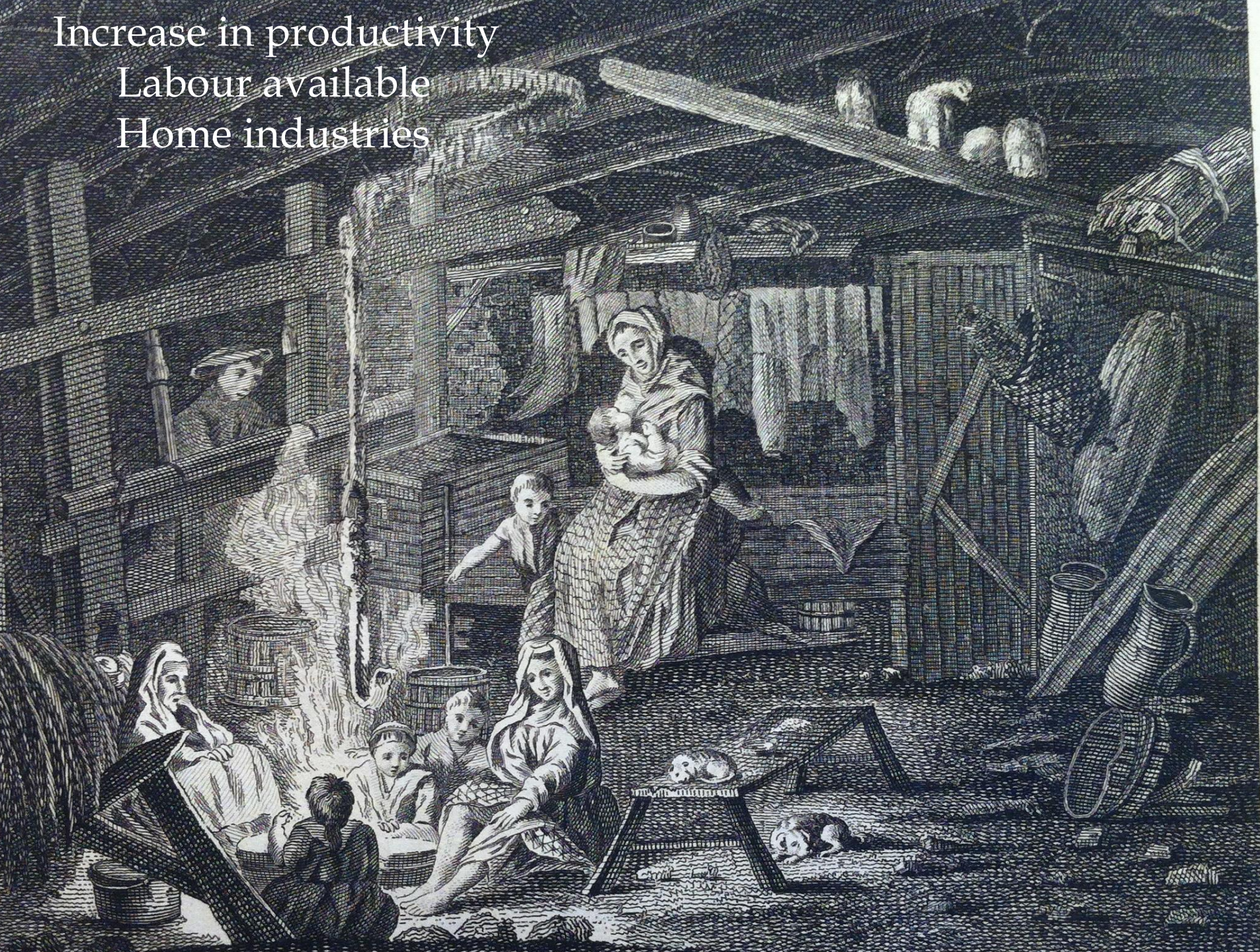






Charles Townshend
Crop rotation 1730s

Increase in productivity
Labour available
Home industries





This Portrait of JOHN RAY, of Bury.







James Hargreaves
Spinning Jenny 1764



Spinning wheel
The spinning wheel is a device used to spin fibers into yarn. It consists of a large flywheel, a carriage, and a bobbin. The flywheel is turned by hand, which causes the carriage to rotate and the fibers to be spun into yarn. The bobbin is used to collect the spun yarn.



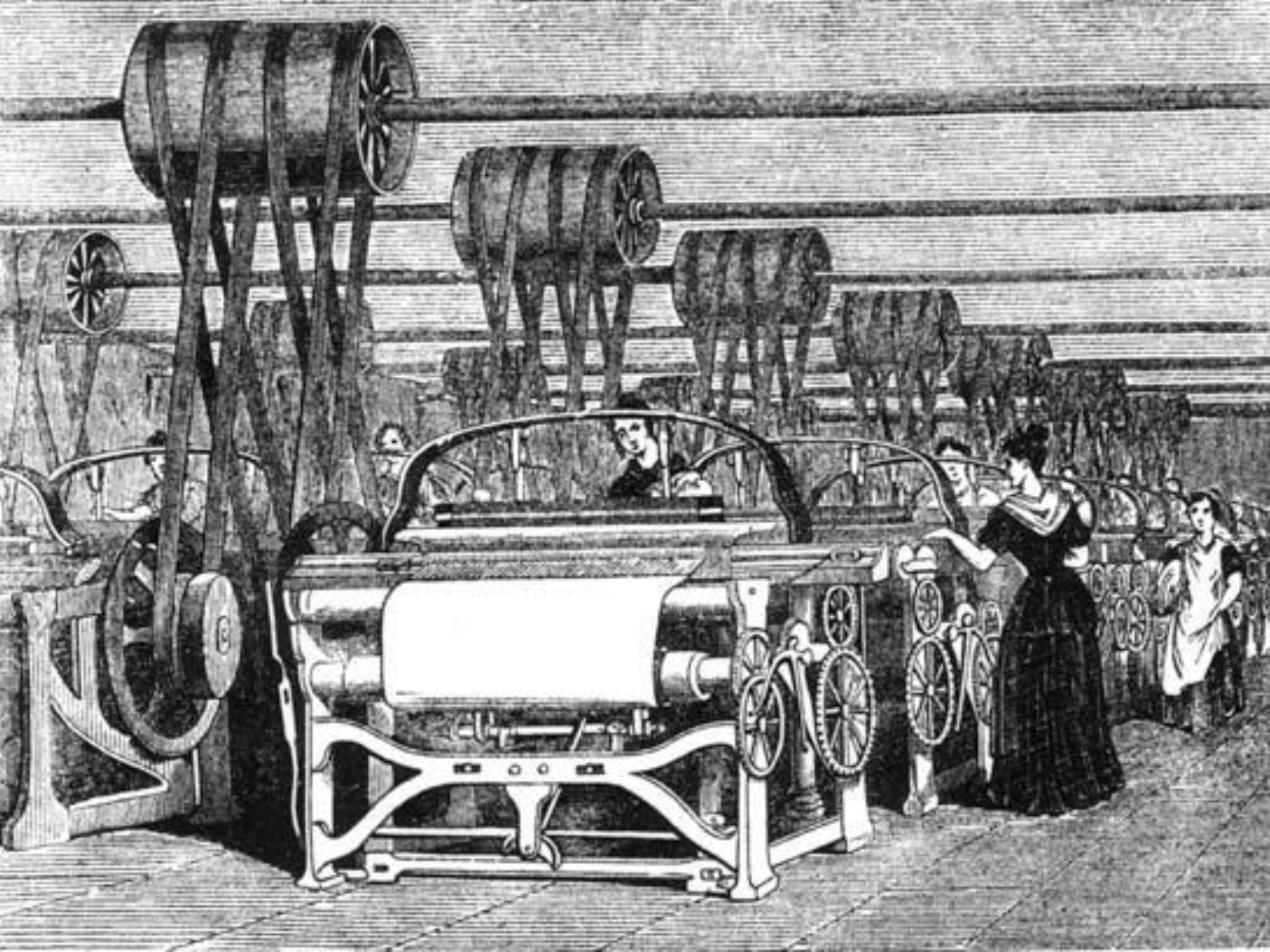
Richard Arkwright
Spinning Frame 1769





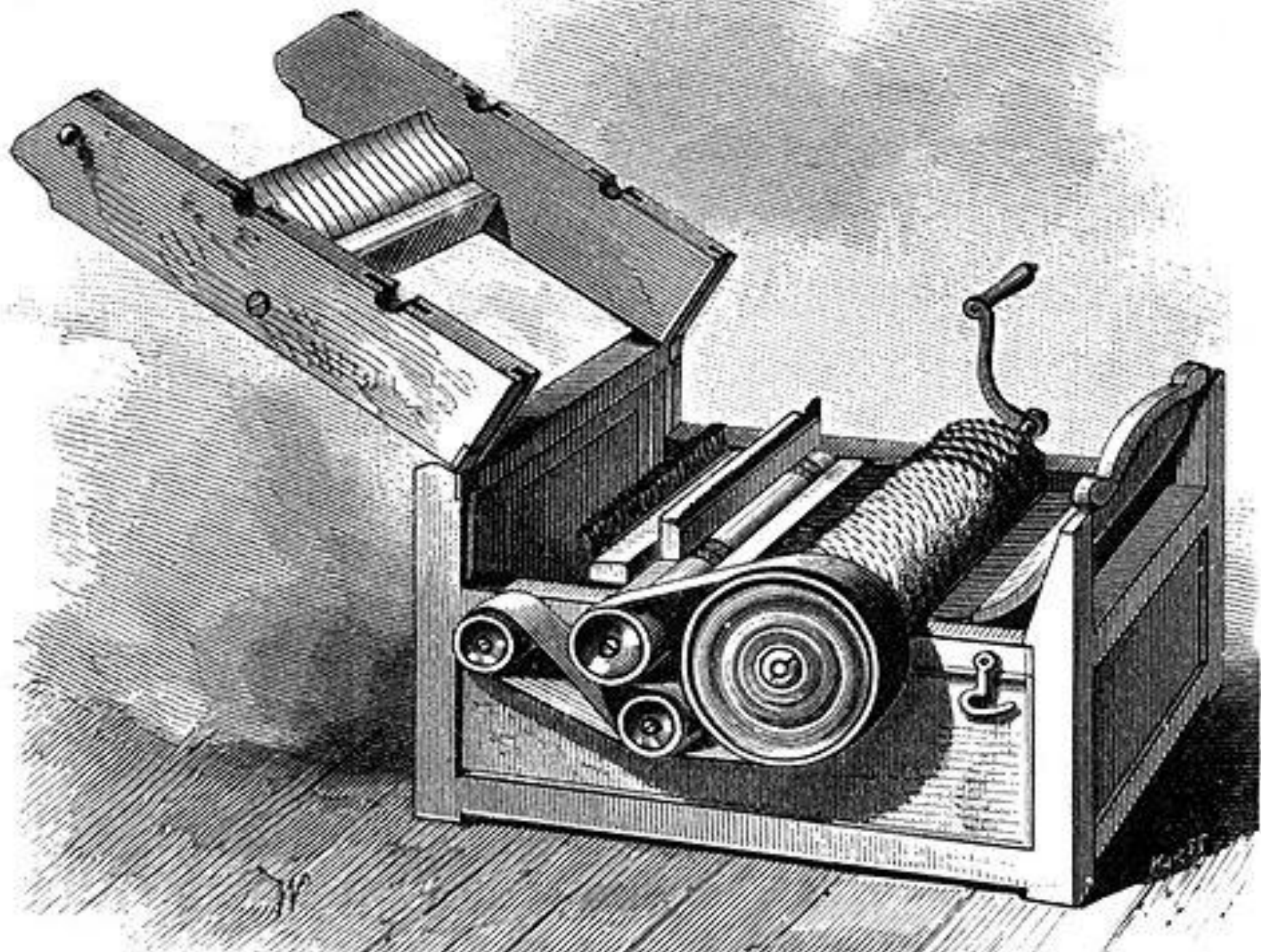


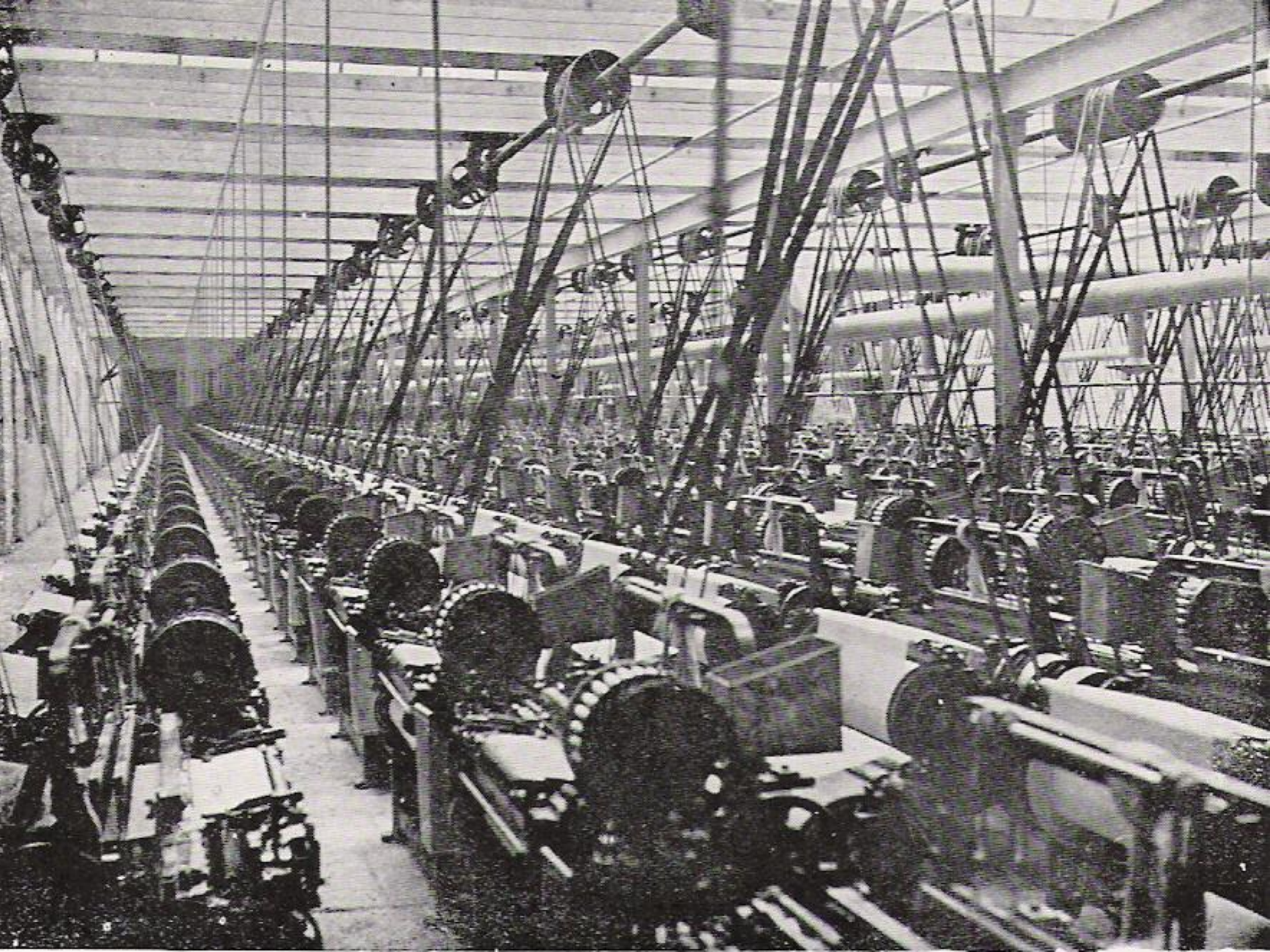
Edmund Cartwright
Power Loom 1789



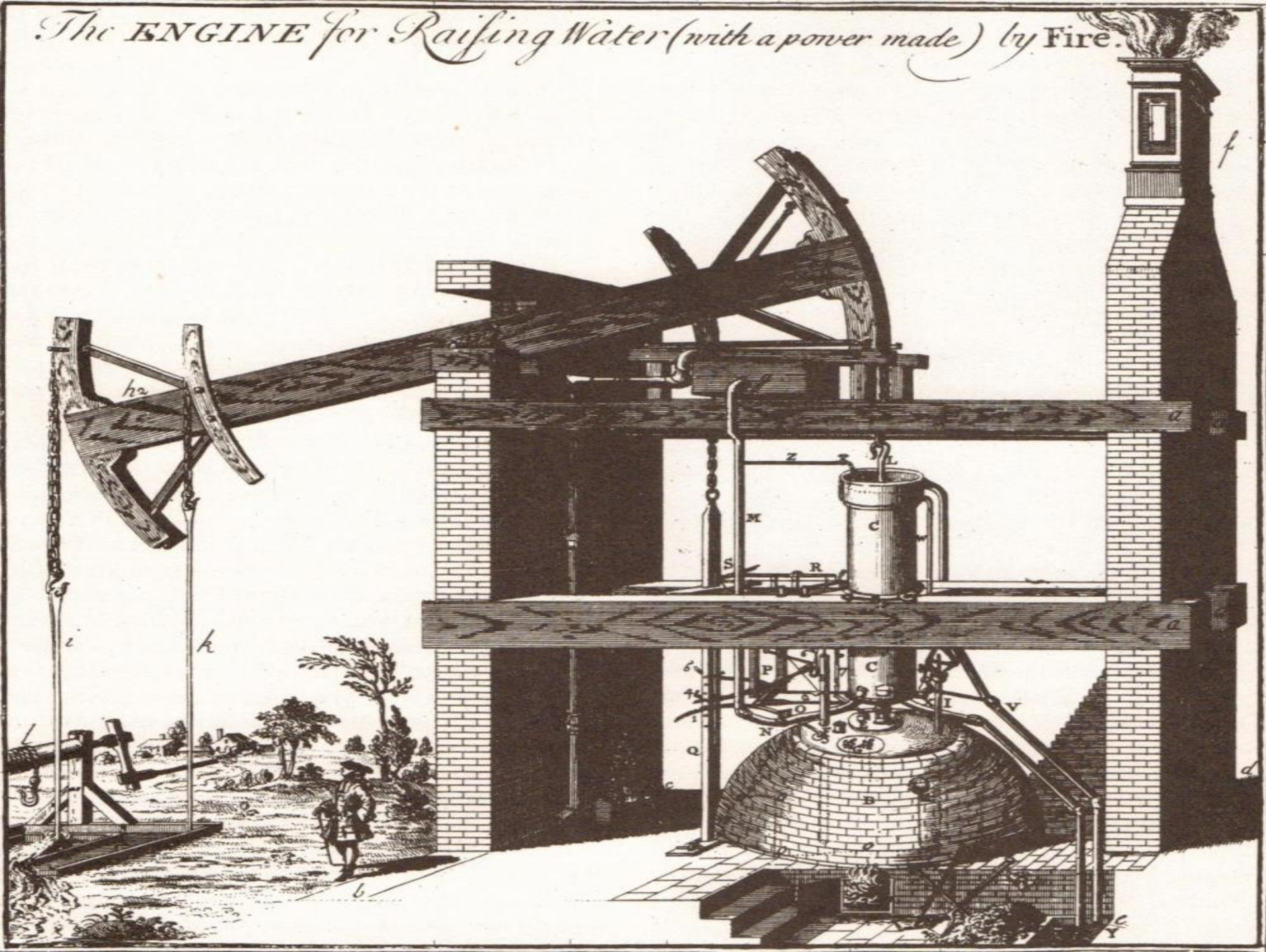


Eli Whitney
Cotton Gin 1794





The ENGINE for Raising Water (with a power made) by Fire.



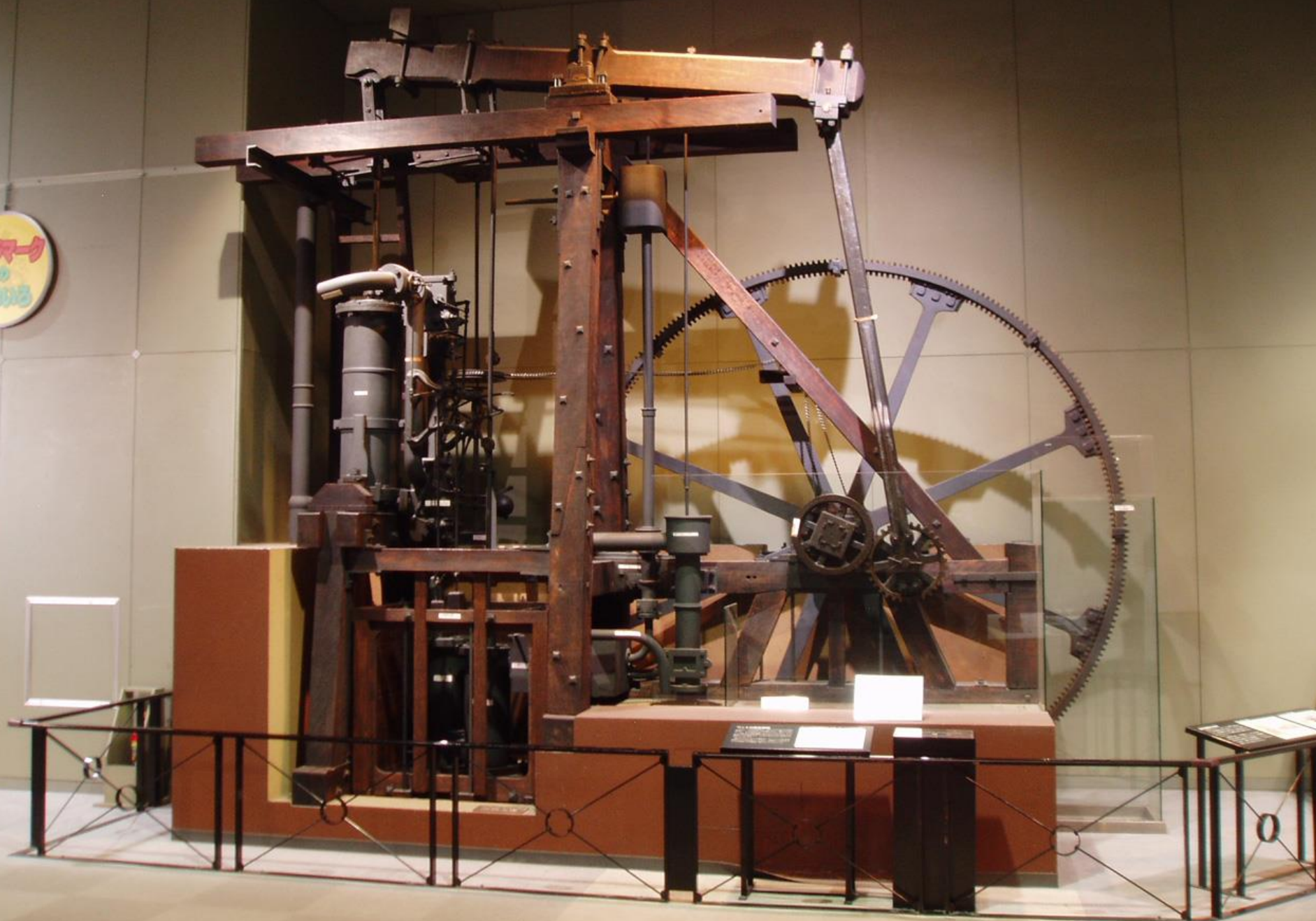


James Watt

Triple Expansion

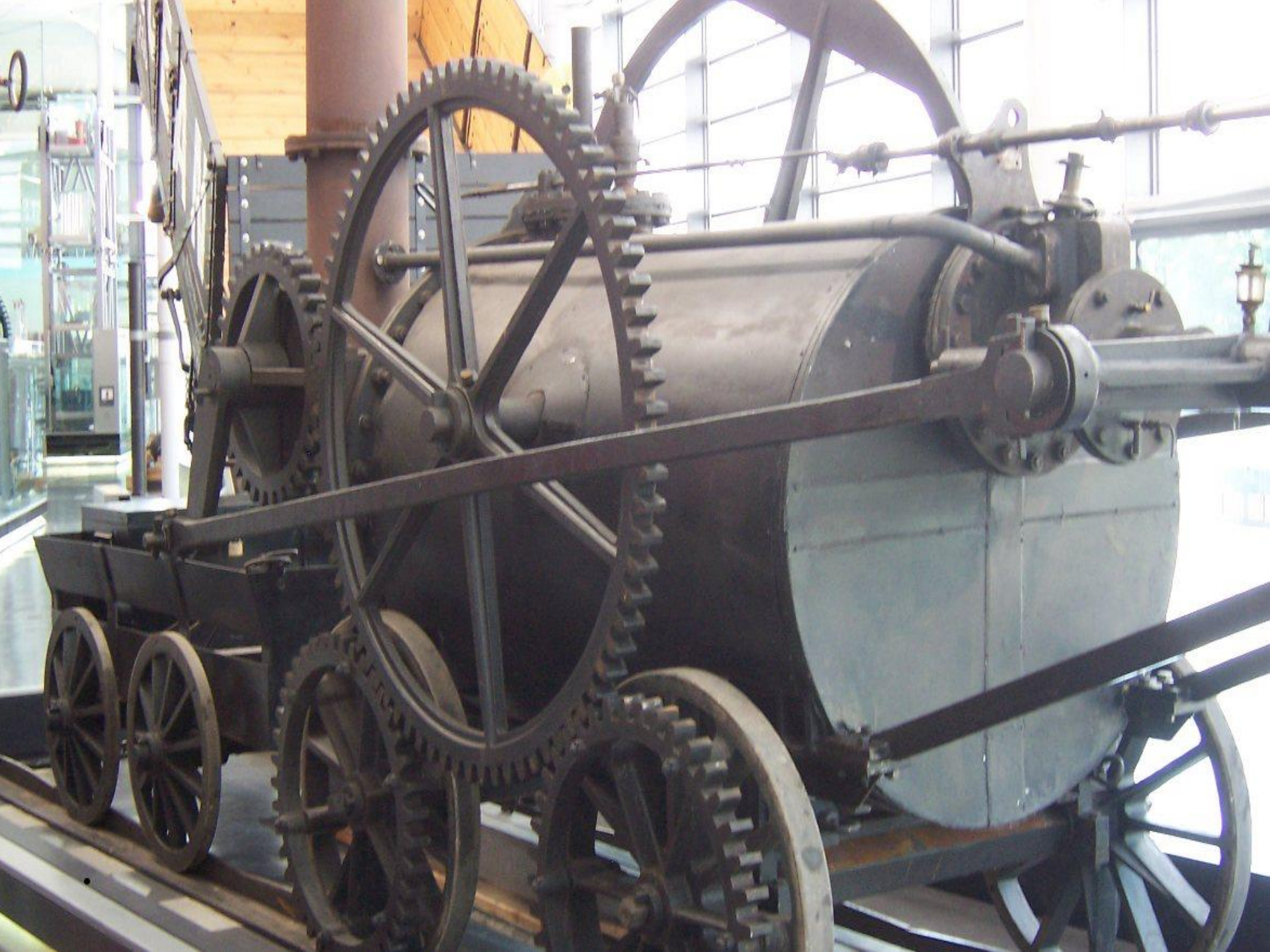
Steam Engine 1776

アドマーク
1858



Richard Trevithick
High Pressure
Steam Engine







Why, and Why in Britain?

- ▣ Resources
 - Iron ore, coal, waterfalls
- ▣ Good transport
 - Rivers, coastline
- ▣ Protestant ethic
 - Earthly improvement





Why, and Why in Britain?

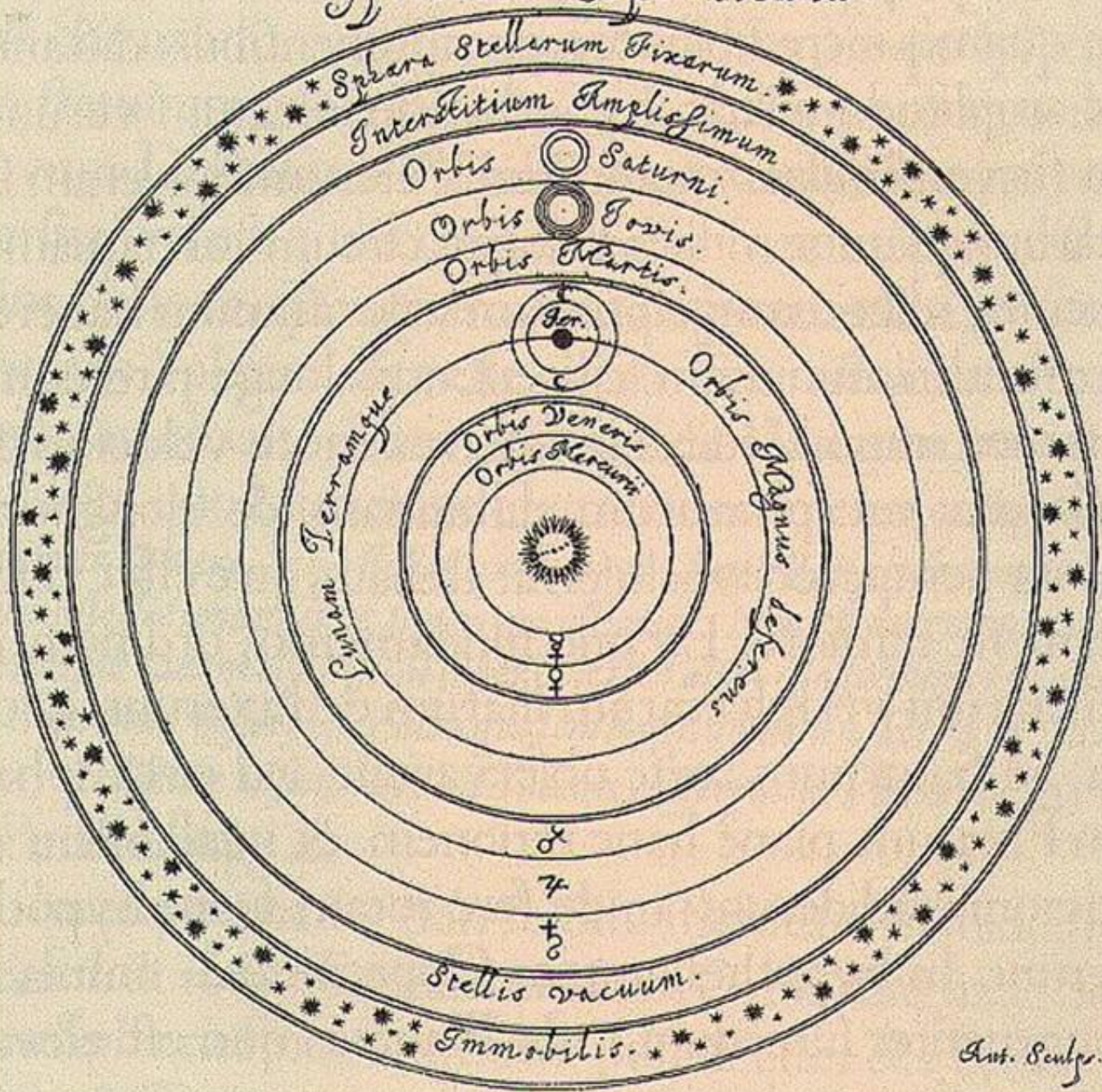
Colonial exploitation?

- Mainly trade, not army
- US: independent in 1776
- Africa: 19thC
- India: 1760 – trade
- Slavery < 5% of NI

Key was *value added*



Hypothæsis Copernicana.



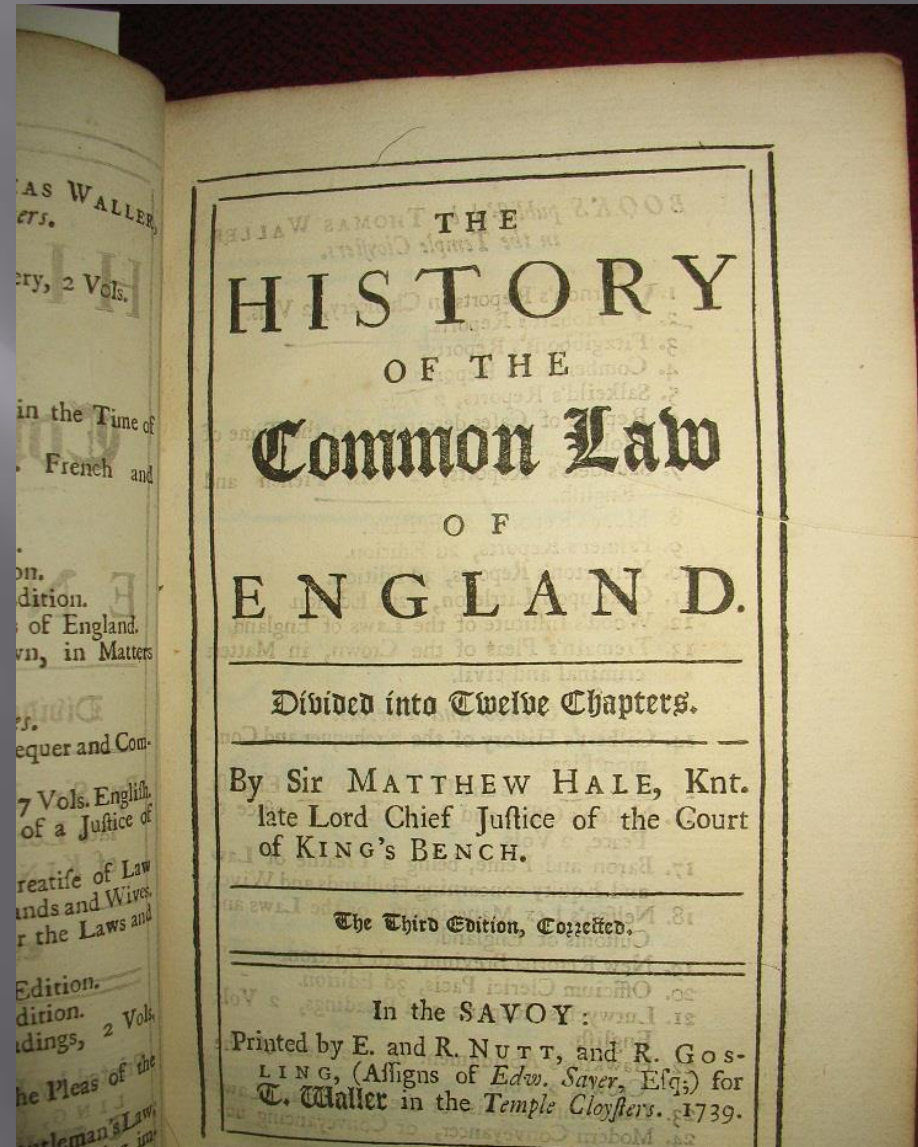
Aut. Sculp.





Things Britain got right

- ▣ Common Law / freedom
 - Permissive (vs licences)



Things Britain got right

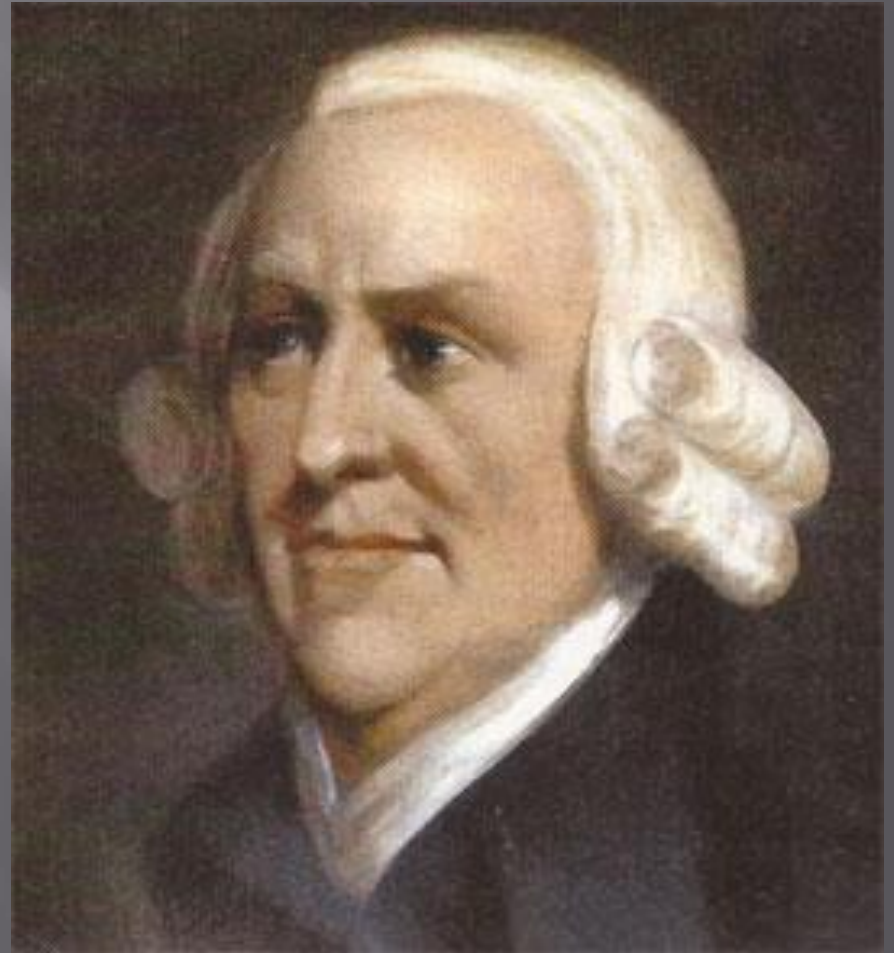
- ▣ Property rights
 - Land, contracts, patents





Things Britain got right

- ▣ Free trade
 - ▣ Adam Smith 1776
- ▣ No internal barriers





Things Britain got right

- ▣ Private financial system
 - Stocks, banks, insurance





Things Britain got right

- ▣ Limited government
 - Low tax, corruption







Growth comes naturally

- ▣ Governments cannot 'pick winners'
 - UK: steel, ships, cars
 - Africa: steelworks
- ▣ Markets/trade change
 - Korea, China, SE Asia
 - Individuals adapt quicker than official planners



Do not strangle growth

- ▣ Regulation is biggest burden for small firms
- ▣ Growth comes from small businesses
 - Apple/Google/Amazon
- ▣ Harness the creative potential of free people
 - 1.5m iPhone apps



