

ECONOMIC  
GROWTH IN  
FRANCE AND  
BRITAIN

1851 - 1950

BY CHARLES P. KINDLEBERGER

IN THIS illuminating work of economic-history criticism, Mr. Kindleberger uses the economic history of France and England over the past hundred years to test the adequacy of current theories of economic growth. Devoting primary attention to France throughout most of the book, and adducing English experience as a control, he employs the comparative method to demonstrate the effective limits to theorizing.

Mr. Kindleberger examines a wide range of explanations for French and British rates of growth. To estimate the general validity of each, he compares the actual performance of the two economies in the light of the factors deemed significant in the particular theory. If, for instance, it is thought that France grew more slowly than Britain because of inadequate natural resources, Mr. Kindleberger explores this variable first in French experience and then in British. In the case of some factors, however, such as family control of industry and technological skill, he reverses the order to test British performance against that of France.

From these many comparisons he finds that economic growth is too complex a phenomenon to yield to partial explanations. Single factors, it is true, can stimulate or retard growth, depending in part on the strength of the stimulus and in part on the character of the response, but any general single-valued explanation

ECONOMIC GROWTH  
IN FRANCE AND BRITAIN  
1851-1950



**E C O N O M I C  
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**CHARLES P.  
KINDLEBERGER**

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TO K. S. M.



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I have tried to resist the temptation to strew my prose with French phrases. Apology is offered for the pedantic mass of footnotes; in a work by an amateur historian, however, it is important to make clear to the professional whence various notions sprang. Sources are referred to in footnotes by abbreviated designations; full titles are set out in the bibliography.

One final explanation: I had to stop taking account of recent contributions to the literature at some point, and this I did in 1960 or 1961. The book is seriously deficient, therefore, in that it does not reflect the contribution of three important works which appeared in 1962: H. J. Habakkuk's subtly reasoned *American and British Technology in the Nineteenth Century*, *The Search for Labour-Saving Inventions*, Phyllis Deane and W. A. Cole, *British Economic Growth, 1688-1959*, and B. R. Mitchell (with the collaboration of Phyllis Deane), *Abstract of British Historical Statistics*, all of them published at Cambridge by Cambridge University Press in 1962. One table has been taken from the third at the last minute. But the entire argument is poorer throughout for not having been sharpened against and informed by these works.

It is customary at this juncture for a married male writer to thank his wife, and I am pleased to comply. However, this book is dedicated, in affectionate gratitude, to my mother-in-law.

C. P. K.

Massachusetts Institute of Technology  
September 1963

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ECONOMIC GROWTH  
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“Il est très utile de se poser des questions, *mais très* dangereux d’y répondre.”—Charles Seignobos

“Ici, le dix-neuvième siècle, ce n’est pas bien dangereux. Mais quand vous toucherez aux guerres de religion, soyez très prudent.”—A lycée professor

[Quotations from Marc Bloch, *Apologie pour l’histoire ou métier d’historien*, 4th ed. (Paris, Colin, 1961), pp. xvi, 10.]

## INTRODUCTION

This study attempts to thread its way between deductive and inductive treatments of economic growth by submitting some partial models of growth and decline to empirical testing. The result is neither analysis nor history. It may nonetheless have value for students of economics as a reminder of the dangerous ease of theorizing without facts or of interpreting facts with too limited theories.

This is not a search for such single-valued explanations of economic growth and decline as "England achieved economic growth only because of its coal, or its middle class, or the mercantile accumulation of capital." Nor would I be brash enough to tackle the necessary task of assigning weights to different ingredients of growth and distinguishing among sufficient, necessary, and contributing causes. Instead I present the models, implicit or overt, which have been used to explain the course of growth in Britain and France in the last one hundred years and attempt to indicate whether the models are relevant and the factors involved significant.

In this volume significance has been rated qualitatively. Time and again as I have worked through the literature, I have been reminded of the familiar story of the blind men and the elephant, the former, each at a separate quarter, variously describing the beast as a rope (trunk), wall (side), tree (leg), and cloth (ear). With vision restored, it may be possible to see the elephant as the sum of these parts, and more; but it would be very difficult to assign quantitative weights to the separate elements. Statistical methods are not used here, beyond the presentation of simple tables. The major technique is the straightforward examination of sources on economic history, and the purpose is to see how effectively the economic models conform to and inform historical fact.

The sources are secondary. I am not an economic historian, nor do I have the temerity to aspire to be one. The badge of an economic historian is won by working with primary sources, not in making syntheses of already synthetic materials. But criticism of economic history, even negative criticism, may not be altogether useless. And it is a thoroughly accepted principle of literature and art, which may extend to history by analogy, that critics need not know how to write, act, paint, or sing.

Little explanation is required for a cross-cultural comparison of France and Britain. Comparison frequently runs between France and Germany, as in the classic study of J. H. Clapham or in William Parker's more recent investigations in iron and steel and entrepreneurship. The Anglo-French comparison as a rule comes from the French side; the British tend to measure their performance against that of the United States or Germany. The French, however, have long adopted Britain as the standard of performance.<sup>1</sup> An American has the freedom to choose as he will. If the comparison has more value for one country than another, it cannot be helped.

The emphasis in my study is on France. Though not intentional, this proved inescapable. Most of the chapters start by addressing a proposition about French economic growth, and, after analyzing it for a number of pages, have too little room left thoroughly to pursue the British parallel, if any, by way of control. Four chapters or so deal evenly with France and Britain, and one on technology gives top billing to the British experience. But the result is not balanced.

The time period selected is easily defended. One hundred years is a good round number. For the beginning year one can support the choice of 1851, the date of the Great Exhibition in Britain, which is variously referred to as the zenith of industrial leadership<sup>2</sup> or the beginning of Britain's consciousness of the need for scientific education. Rostow, in *The Stages of Economic Growth*, gives 1851 as the culmination of the British "drive to maturity." But 1846 with the repeal of the Corn Laws, 1847 with its Factory Act, 1849 with the repeal of the Navigation Acts, the discovery of gold in California (1849) or in Australia (1851), the beginning of the golden age of British agriculture in 1853 — any would serve as well. And in France one has a choice between the Revolution of 1848, the election of Louis Napoleon as president in the same year, or the coup d'état of December 1851. But there is no need to be precise, for my interest begins in mid-century. At the other end, primary attention stops for some purposes at 1914, for most at 1939, the end of the interwar period; and I am particularly unconcerned with current rates

<sup>1</sup> See, e.g., de Tapiès, *La France et l'Angleterre* (1845); Demoulin, *Anglo-Saxon Superiority* (1899); and Passe, *Economies comparées* (1957). The French inferiority complex vis-à-vis Britain on economic matters carries through right up to 1950. See, e.g., the letter by one F. Herbet in 1858, quoted by Cameron (*France and the Development of Europe*, 1961, p. 327): "It remains for us to prove that businessmen are not more rare among us than soldiers, writers and thinkers, and that it is not only in England that one finds distinguished engineers, clever organizers, intelligent capitalists."

<sup>2</sup> See Marshall, *Industry and Trade* (1920), p. 87n: "In 1851 [there was the] Great Exhibition at which the whole world learned suddenly how great were the numbers of those things which could be bought in London better or cheaper than elsewhere; and of those which could not be bought at all elsewhere."

of growth. In a few cases, however, it is useful to extend the study to the period immediately following World War II. I want to take cognizance, for example, of the rapid French growth in the 1950s, instead of ending on the despairing note of the late 1930s.

The theme of this work is essentially negative and paradoxical. Big theories of economic growth fail to account for the complex facts of life, and little theories frequently contradict one another. Paradox abounds, especially of course in any subject which touches upon the French. If France suffered from lack of coal, did Britain suffer from too much? Does the head start help — nothing succeeds like success? Or is early success fatal — three generations from shirtsleeves to shirtsleeves (“clogs to clogs” in translation from American idiom to English), and the bigger they come, the harder they fall? The resolution of many of these apparent conflicts turns on disparities in implicit assumptions, including particularly the time span chosen. Did British capital export, extending overseas markets in cotton textiles, galvanized iron, and rails, help or hurt? In the short run, it clearly helped; over a longer period, it may have hurt if it prevented an adaptation of industry to production of commodities with greater long-run growth prospects. One historian says “helped”; another (or sometimes the same one) says “hurt.” And the critic’s task is not to grade the papers and award the medals, but to understand the basis for the differences.

Still, it is hoped that the value of this exercise is not all negative. The amateur economic historian may have turned up a few leads that the literature has neglected: the existence in complex market structures of external diseconomies which block technical change; regional capital formation in Lorraine and Haute Savoie in a France whose primary capital market was engaged in the diversion of funds abroad; the role of agriculture in the Great Depression in France; the speed with which the British entrepreneur abandoned business for Parliament. The main “positive” theme, however, is the differences between British and French economic aging, rather than growth. I had anticipated that a secular decline in capacity for growth could be detected in the two countries, arising from the increasing inability of a country, once it achieved economic success, to adapt to new situations. This proves true for Britain, but not for France, despite the widespread discussion of economic senility in both countries.<sup>3</sup> In Britain it is fascinating to see how many changes in the direction of reduced capacity for growth con-

<sup>3</sup>All through the period the literature is full of titles emphasizing decline: e.g., Lédru-Rollin, *De la décadence de l'Angleterre* (1850); Mourre, *Décadence économique de la France* (1900); Brooks, *Our Present Discontents* (1933); Pommera, *Grandeur ou déclin de la France* (1940); Hutchison, *Decline and Fall of British Capitalism* (1950); Richmond, *The English Disease* (1959).

verge in the last quarter of the nineteenth century: the loss of technological leadership; the failure of agriculture to adjust to new demand and supply functions; an abrupt decline in the birth rate; the shift of foreign trade from Europe to the dominions and the empire; the rise of foreign lending to the empire at the expense of borrowers in Europe and at home. One might have reached much the same conclusion about France at various times — at the turn of the century when there was a wave of discussion of French economic decadence, later in the 1930s, or even immediately after the Second World War. But here there was no convergence of symptoms of economic decline — rather, we find a contrapuntal play between vigorous technical capacity and drive, on the one hand, and conservative and restraining practices, on the other. By 1960 it appeared that expansion had again taken over, that what the French call the Malthusian practices of monopoly, restriction, and immobility had again been defeated. Whether the defeat will be lasting, however, is an unanswerable question.

There is no need to describe the organization of this book. The next chapter contains a brief analytical account of the growth of the two economies since 1850. The limits and drawbacks of the statistical evidence, which is not relied upon, are discussed in the appendix. Beginning with Chapter 2, there is paraded a series of separate causes of the speed or slowness of French and British growth. The last chapter briefly draws the threads together in conclusion. This catalogue of subjects makes clear the partial-equilibrium nature of the method. I have analyzed single-valued explanations and have found them inadequate. Although this critical, negative task may be of some value, I recognize that it cannot take the place of the job which needs to be done: the provision of an adequate explanation of the course of economic growth of France and Britain since 1850, indicating the quality and quantity of the various causal factors in the two settings and how they differ. My last chapter attempts no such summation. But in the course of attacking the partial-equilibrium explanations, I may have uncovered some of the materials needed for a general theory of growth.

# CHAPTER 1

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## AN OUTLINE OF FRENCH AND BRITISH ECONOMIC GROWTH SINCE 1851

The story of economic growth in France and Britain emerges in the analytical chapters that follow. But a brief sketch may be helpful as background. The outline given is not statistical: the appendix at the back of the book gives the best-known series for British and French national income, overall and per capita, along with discussion of the gaps and the weaknesses of existing series. Let us begin here with French growth.

### THE PERIODS OF FRENCH ECONOMIC GROWTH

The early 1840s in France were a period of rapid expansion, especially in textiles.<sup>1</sup> But the crisis which led to the Revolution of 1848 decisively interrupted the upward movement. This revolution has been intensively studied by French economic historians, particularly Labrousse.<sup>2</sup> Their conclusion, as I interpret it, is that it was in large part brought on by the accident of harvest — first by the worst in fifty years in 1846 and then by the best in 1847, sending prices sky high to impoverish the urban dweller and then plunging them to the depths to ruin the farmer (who had not benefited from the high prices because of a lack of marketable supplies).<sup>3</sup> The scissors movement on agricultural incomes marked a deep divide in the demographic history of France.<sup>4</sup> But the depth of the economic crisis in 1849 provides the low point of the two decades.

<sup>1</sup> Marczewski, "Aspects of the Growth of France" (1961), p. 380, gives five industries whose rate of growth exceeds the general growth of industrial product and whose share in this product exceeds 2 percent, from 1825/34 to 1835/44. Four of these are textiles with a total weight of 19 percent. Iron and steel have a weight of 2.2 percent. My appendix gives certain objections why long-term averages of this sort may not be helpful for short-run analysis.

<sup>2</sup> See Labrousse, *Aspects de la crise* (1956).

<sup>3</sup> But Cameron (*France and the Development of Europe*, 1961), insists that the "crisis of 1848 was first and foremost a financial and banking crisis" (p. 125).

<sup>4</sup> Pouthas, *La Population française* (1956), p. 29.

The basis of the boom in the early fifties was, first, railroads and, second, public works. Both were overdue. State railway projects had been halted in 1847 and the canal program in the following year. Although both had been resumed, there was little force behind them because of the state of government credit. The coup d'état of Napoleon III on December 2, 1851, produced the first reversal in the situation. The establishment of the *Crédit Mobilier* by the Pereire brothers in 1852 did more to provide new means of finance. The demand for iron rails far exceeded the supply, and in 1853 and 1855 tariffs were lowered. The extension of the French railway network, with private bonds guaranteed by the government, and the building of the Paris boulevards and the ports of Marseilles, Rouen, and Le Havre, drew labor from the farms to the cities. The transformation of local into national markets by the railroads killed off a number of weaker industries, but it opened up opportunities for the expansion of many others. France grew rapidly.

How long this period of rapid growth may be said to have continued is a troublesome question. We are not interested in cycles but in trends. There was one cyclical crisis in 1858, another in 1865, another in 1868. The early 1870s are thoroughly confused by the Franco-Prussian War of 1870, the Treaty of Frankfurt in 1871, and the payment of the indemnity which followed. But there was clearly a boom from 1879 to 1882, followed by a crisis and a long period of stagnation. Did the growth period beginning in 1851 last only to 1857, to 1859, to 1868 (when the *Crédit Mobilier* fell), to 1873? <sup>5</sup> Or, with the brief interruption for 1858 and 1859, is it better to regard 1852–1857 as a period of very fast growth and 1860–1882 as growth interrupted by war? <sup>6</sup> Again, one might view 1860–1875 as a time of considerable stability, preceded and followed by spurts of growth from 1851–1859 and 1879–1882, followed in turn by stagnation.<sup>7</sup>

In the absence of dependable statistics, the choice of dates depends largely on the implicit weights used by the observer. There can be no doubt that there was a boom from 1851 to 1857 and stagnation from 1882 to 1895. Railroads, coal, iron and steel (largely iron), textiles,

<sup>5</sup> Cameron regards 1857 as the apogee of the Second Empire (p. 157), and the year of the "revolution" in banking technique (p. 171). The deflation (p. 157) of 1857–58 inaugurated a forty-year deflationary trend (p. 190). But later (p. 485) he indicates that the long depression began in 1882. Perroux, "Croissance de l'économie française" (1955), p. 48, chooses 1859. For a picture of 1867, the year of the Paris exhibition, as the peak of the Second Empire, see Zola, *L'Argent* (1891), the opening of chap. viii. Clough, "Retardative Factors" (1946), p. 99, chooses 1873 as the end year.

<sup>6</sup> Cameron, "Profit, croissance et stagnation" (1957), p. 410.

<sup>7</sup> Lévy, *Histoire économique de la France* (1951–52), p. 185.