



Economic History of Empire – Trade in the British Empire in the 19th Century

Interview with Brian Varian

Summary

1. Period Overview (Late 18th Century – WWI):

- Britain consistently exported manufactured goods (especially textiles) and imported raw materials and foodstuffs.
- Initial imports focused on luxury goods (sugar, tobacco, wine) but later shifted to basic foodstuffs like grain.
- Trade with continental Europe remained critical due to proximity and economic size.
- Only about one-third of British trade was conducted with the Empire throughout this period.

2. The "Magic Decade" of the 1850s:

A pivotal turning point driven by:

- Technological advances: steamships reduced shipping costs and expanded trade capacity.
- Policy liberalization: repeal of the Navigation Acts (1849).
- Tariff reductions that began in the 1820s and progressed gradually such that, by the end of the 1850s, average tariffs dropped from ~50% to ~5–6%, making Britain a near free-trade nation.
- Increased demand: Growing population drove rising grain imports, especially from North America.

3. The Empire Effect:

Even though the Empire didn't dominate British trade, it mattered due to:

- Shared institutions: Common language, legal systems, and the gold standard reduced transaction costs.
- Consumer preferences: British migrants in the colonies demanded familiar goods (e.g., Cadbury chocolate, whisky).
- Cultural and legal ties facilitated trade beyond just economic calculations.

4. Late 19th Century Shifts – Imperial Preference:

- Settler colonies (Dominions) like Canada, Australia, and New Zealand became increasingly important due to self-government and population growth enabling them to pursue independent tariff policies including, eventually, imperial preference.
- Facing competition from the US and Germany, these Dominions introduced preferential tariffs favouring British goods:

- Canada (1897): Cut tariffs on British imports by one-third → British exports to Canada doubled relative to the counterfactual of no imperial preference.
- New Zealand, South Africa, Australia followed with varied schemes.
- Population and income growth were highly determinant of the increasing significance of the Dominions in trade with Britain.
- These measures aimed to retain imperial trade links amid growing economic nationalism.

5. Key Takeaways:

- Empire mattered—but never dominated—British trade.
- Continental Europe and the US remained central trading partners.
- Trade patterns evolved significantly due to a mix of policy reform, technology, and demographic changes.
- The dynamics of the 19th century offer strong parallels to modern globalization processes.