INTRODUCTION
COLONIAL TRADE AND THE EUROPEAN ECONOMY

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The effects of the expansion of Europe have fascinated historians and economists, as well as the public at large, for centuries. One of the most intriguing and controversial effects of Europe's expansion has been the trade that resulted from this movement out of Europe and into other regions of the world. The role of foreign trade in Europe's economic growth—and especially in its industrialisation—has long been hotly contested. As early as 1776, Adam Smith discussed the role of foreign trade as a catalyst of economic growth, while Karl Marx treated the Industrial Revolution and economic development in *Capital*.[1] Interest in the effects of foreign trade on Europe's economic growth has never entirely faded away, and historians such as Paul Mantoux, who published *The Industrial Revolution in the Eighteenth Century*, which was translated to English in 1928, were certainly influential.[2]

However, it was historians seeking the factors influencing development, or the lack thereof, of various regions of the world up to the present day who fueled a resurgence of interest in the topic around the mid-20th century. By then it had become apparent that decolonisation by itself was not a sufficient condition for economic growth and that there were other inhibiting factors at work. There existed in the mid-20th century—and still exists, for that matter—a tenacious stereotype that the West became rich by exploiting those countries that are now part of the so-called Third World. The prevailing popular and, to some extent, scholarly, opinion has been that,

[1] A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, R. H. Campbell, A. S. Skinner and W. B. Todd, eds. (Indianapolis: Liberty Classics, 1981); Karl Marx and Frederick Engels, *Collected Works* (New York and London: International Publishers, 1975).

[2] P. Mantoux, *The Industrial Revolution in the Eighteenth Century* (Chicago: University of Chicago Press, 1983).

in exchange for a few trinkets, European traders were able to rob Africans, Asians, and Amerindians of their wealth—wealth that led to the dominant economic position Europe now enjoys. The assumption has been that the impact of European expansion in the New World, Africa, and Asia was so dramatic and, at times, so devastating that it must have been beneficial to the economy of Europe. Therefore, historians began to look for possible links between the possession of colonies and the growth in overseas trade in the 18th century and the development of the European economy and its concomitant or subsequent industrialisation. For example, M. H. Dobbs and K. Polanyi both treat this subject in their influential works.[3] In the early to mid-1960s, this line of thought was especially prevalent. K. E. Berrill, P. Dean, and H. J. Habakkuk, to name a few, were proponents of this view.[4] The most famous historian commenting on the links between overseas trade, colonies, and industrialisation, though, was E. J. Hobsbawm, who published *Industry and Empire* in 1968. In this well-known work he writes that, "The new kind of relationship between the 'advanced' areas and the rest of the world, unlike the old, tended constantly to intensify and widen the flows of commerce. The powerful, growing and accelerating current of overseas trade . . . swept the infant industries of Europe with it . . . [and] sometimes actually created them."[5]

Hobsbawm's assumption still lives on, in spite of the fact that during the past decades modern historical research has called into question this notion of economic growth fueled by intercontinental trade. A wealth of studies indicated that, during the period of modern imperialism, the conquest of colonies in Africa was a losing proposition. This was the case for most European colonies in Asia as well.

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[3] M. H. Dobbs, *Studies in the Development of Capitalism* (London: Routledge & Kegan Paul, 1946), and *Some Aspects of Economic Development: Three Lectures* (Delhi: Delhi School of Economics, 1951); K. Polanyi, *Origins of Our Time: The Great Transformation* (London: Gollancz, 1945).

[4] K. E. Berrill, "International trade and the rate of economic growth," *Economic History Review,* 12 (1959–60), 351–54; P. Dean and H. J. Habakkuk, "The Take-off in Britain," in *The Economics of Take-Off into Self-Sustained Growth*, ed. W. Rostow, (London: Macmillan, 1963), 77–80; P. Deane, *The First Industrial Revolution* (Cambridge, UK: Cambridge University Press, 1965); H. J. Habbakuk, *American and British Technology in the 19th Century: the Search for Labour-Saving Inventions* (Cambridge, UK: Cambridge University Press, 1962).

[5] E. J. Hobsbawm, *Industry and Empire: An Economic History of Britain since 1750* (Weidenfeld and Nicolson: London, 1968), p. 36.

Some of the most respected scholars in the field have denied that there was any vitally important role for exports. Thomas and McCloskey concluded that "the strongest effect between commerce abroad and industry at home was from industrialisation to commerce, not the reverse. Trade was the child of industry."[6] Trade theorists such as Charles Kindleberger and Ronald Findlay share this opinion.[7] One of the leading scholars of trade in the 18th century, Ralph Davis, writes,

> I share the view that overseas trade did not have an important direct role either in bringing about the Industrial Revolution or in supporting the first stages of its progress. The initiative came from the supply side, from technical change . . . Though a combination of changes made up the Industrial Revolution, the principal driving forces came from the nature of the inventions in the textile industry . . . and the efficacy of these inventions, which lifted the market for these inventions, at home and abroad, to an entirely new level . . . Overseas trade made little contribution to the advent of the Industrial Revolution itself and was not essential in the early stages of its development. Its importance reappeared in the further expansion of the mature industrial economy.[8]

Patrick O'Brien began to attack the inflated estimates of the contribution of the colonial world to the economy of Early Modern Europe. In a seminal article he summarised his findings in a by now famous—phrase: "*The contribution of the periphery was peripheral*."[9]

The discussion on the effects of intercontinental trade has centred on Great Britain, where the growth of non-European trade, particularly the trade in slaves and sugar across the Atlantic, was more pronounced than in any other country during the 18th century. During the second half of the 18th century, Great Britain was the

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[6] R. P. Thomas and D. N. McCloskey, "Overseas Trade and Empire, 1700–1860," in R. C. Floud and D. N. McCloskey, eds., *The Economic History of Britain Since 1700,* Vol. I (Cambridge, UK: Cambridge University Press, 1981).

[7] C. P. Kindleberger, *Economic Growth in France and Britain, 1851–1950* (Cambridge, Mass.: Harvard University Press, 1964), pp. 264–66, and R. Findlay, "Trade and Growth in the Industrial Revolution," in C. P. Kindleberger and Guido di Tella, eds., *Economics in the Long View: Essays in Honour of W. W. Rostow,* Vol. I (New York: New York University Press, 1982).

[8] R. Davis, *The Industrial Revolution and British Overseas Trade* (Leicester: Leicester University Press, 1979), pp. 62–63.

[9] Patrick O'Brien, "European Economic Development: The Contribution of the Periphery," *Economic History Review,* 2nd Series, Vol. 35, 1982, pp. 1–18.

first nation in the world to industrialise. Nevertheless, according to O'Brien, England's trade with the periphery, and the profits from it, were still too small a percentage of its total economy to explain its expansion through the 18th century. Paul Bairoch has argued that the "core" countries, including Great Britain, had an abundance of the minerals necessary for industrialisation such as iron ore and coal. Therefore, they were almost totally self-sufficient in raw materials and, in fact, exported energy to the present-day Third World nations, making the exploitation of colonies for these resources a moot point.[10]

Along these same lines of thought Britain's early industrialisation has led some historians to the hypothesis that the profits from slavery and the slave trade were instrumental in bringing about the first Industrial Revolution. The classic attempt to link colonial expansion and the slave trade with the Industrial Revolution was provided by the West Indian historian and former Prime Minister of Trinidad and Tobago, Eric Williams. In a Ph.D. dissertation later published as *Capitalism and Slavery* in 1944, Williams put forward the thesis that the Atlantic slave trade and plantation slavery in the New World provided re-investable profits and cheap raw cotton on a scale essential for the British Industrial Revolution.[11] Williams inspired a whole generation of historians studying the relationship between imperialism, economic growth, and industrialisation, including E. J. Hobsbawm, who wrote, "the industrialisation of Lancashire prolonged and developed slavery in America."[12]

As Stanley Engerman put it, in Williams' version, history becomes a morality play in which one evil—the Industrial Revolution—arises from another, perhaps greater, evil—slavery and imperialism.[13] Perhaps because of the enduring attraction of such a neat moral paradigm

[10] P. Bairoch, *Economics and World History: Myths and Paradoxes* (London: Harvester, 1993), p. 172; see also P. Bairoch, "The main trends in economic disparities since the Industrial Revolution," in Paul Bairoch and Maurice Lévy-Leboyer, eds., *Disparities in Economic Development Since the Industrial Revolution* (New York: St. Martin's Press, 1981); and "International Industrialisation Levels from 1750 to 1980," *Journal of European Economic History* 11, 2 (Spring 1982): 269–333.

[11] Eric Williams, *Capitalism and Slavery* (Chapel Hill: University of North Carolina Press, 1944).

[12] Hobsbawm, p. 7.

[13] S. L. Engerman, "The Slave Trade and British Capital Formation in the Eighteenth Century: A Comment on the Williams Thesis," *Business History Review,* 1972, 46: 430–43, p. 430.

for historians, it took more than three decades to deconstruct the inaccuracies of the "Williams Thesis." Two studies were of particular importance in undermining the hypothesis that the Industrial Revolution was based on the exploitation of Africa and its slaves: Roger Anstey's *The Atlantic Slave Trade and British Abolition* and Seymour Drescher's *British Slavery in the Era of Revolution*.[14] Yet foreign trade as an essential impetus to the growth of the British economy is a tenacious concept.

Despite the strong refutation that Anstey and Drescher seem to have given to Williams' thesis, several volumes of collected essays, as well as a special issue of *The Journal of Interdisciplinary History* in 1989, have appeared since their works were published showing that, for some historians, the "Williams Thesis," albeit in a more nuanced and better-researched form, is still alive and kicking.[15] In fact, the debate continues to this day, fuelled, in part, by a recent publication by Joseph Inikori that stresses the important role of Africa in the making of the British Industrial Revolution.[16]

Yet recent work has not been very successful in substantiating Williams' claim that the profits from this trade "provided one of the main streams of that accumulation of capital in England which financed the Industrial Revolution."[17] Engerman demonstrates that the quantitative effects of the slave trade on the British Industrial Revolution were negligible. D. Richardson points out that the slave trade depended on the demand for sugar which itself was a function of economic changes in the sugar-consuming economies in Western

[14] Roger Anstey, *The Atlantic Slave Trade and British Abolition, 1760–1810* (London: McMillan, 1975); Seymour Drescher, *Econocide, British Slavery in the Era of Revolution* (Pittsburgh: University of Pittsburgh Press, 1977).

[15] *Journal of Interdisciplinary History* 17 (1987); B. L. Solow and S. L. Engerman, eds., *British Capitalism and Caribbean Slavery* (Cambridge, UK: Cambridge University Press, 1987); J. Tracy, ed., *The Rise of Merchant Empires: Long Distance Trade in the Early Modern World, 1350–1750* (Cambridge, UK: Cambridge University Press, 1990), and *The Political Economy of Merchant Empires. State and World Trade, 1350–1750* (Cambridge, UK: Cambridge University Press, 1991); J. J. McCusker and K. Morgan, eds., *The Early Modern Atlantic Economy* (Cambridge, UK: Cambridge University Press, 2000); P. O'Brien and L. Prados de la Escosura, eds., "The Costs and Benefits of European Imperialism from the Conquest of Ceuta, 1415, to the Treaty of Lusaka, 1974," *Revista de Historia Económica* (vol. XVI), 1998–1 (proceedings of the Twelfth International Economic History Congress held in Madrid in 1998).

[16] Joseph E. Inikori, *Africans and the Industrial Revolution in England* (Cambridge, UK: Cambridge University Press), 2002.

[17] Williams, p. 52.

Europe.[18] And, as R. Findlay notes, in the absence of West Indian Slavery, Britain would have had to drink bitter tea, but it still would have had an Industrial Revolution, if perhaps at a marginally slower pace.[19]

Therefore, the findings of recent historical research on the history of European expansion abroad, and of industrialisation at home, have shown time and again that: 1) the profitability of colonial operations was not particularly out of the ordinary, albeit usually slightly higher than profits made at home; 2) during the first phase of the Industrial Revolution, the captains of industry had only a tenuous connection with colonial trade; 3) during the first stages of industrialisation, investments in industries were small and easily obtainable at home; and 4) endogenous factors of development (such as the volume of domestic commerce and the size of a national market) have played a key role in making industry a permanent sector of the European economy.

Additionally, the internal economy of Europe was already ahead of that of other continents, even before the beginnings of transoceanic trade, otherwise the countries of Western Europe could not have expanded overseas in the first place. The early maritime expansion of Great Britain is treated by D. Eltis in *The Rise of African Slavery in the Americas*. In this work, he stresses the fact that the British expansion overseas was preceded by social changes at home. Eltis goes on to ask why "despite the clear chronology, scholars have generally searched harder for the effects of overseas expansion on European economic performance than vice versa."[20] Long before Eltis' work, however, F. Braudel wrote that in order to achieve expansion overseas, "you need a power, slowly matured," adding that, in addition to the accumulation of capital, the nature of European social hierarchies was an even more important precondition for expansion.[21]

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[18] D. Richardson, "The Slave Trade, Sugar, and British Economic Growth, 1748–1776," *Journal of Interdisciplinary History*, 17, 1987: pp. 739–69.

[19] R. Findlay, *The "Triangular Trade" and the Atlantic Economy of the Eighteenth Century: A Simple General Equilibrium Model* (Princeton: Princeton University Press, 1990), p. 40. For more on this debate, see: Olivier Pétré-Grenouilleau, *Les traites négrières. Essai d'histoire* globale (Paris: Gallimard, 2004).

[20] David Eltis, *The Rise of African Slavery in the Americas* (Cambridge, UK: Cambridge University Press, 2000), p. 30.

[21] Fernand Braudel, *La dynamique du capitalisme* (Paris: Flammarion, 1988).

Moreover, it is interesting to consider the gap that exists between the beginnings of industrialisation in Europe on one hand, and the start of colonial commerce on the other. The first countries to profit from colonial trade were Spain and Portugal, yet these two countries were among the last in Europe to industrialise. Similarly, the volume of French colonial trade far exceeded that of the United Kingdom, but France did not start to industrialise until 1850. This was at least a half-century later than Britain, and certainly much later than during the heyday of its colonial trade at the end of the 18th century. Both Switzerland and Belgium, two non-imperial nations, were successful and relatively early industrialisers, whereas Holland and Portugal, both of which possessed large and rich colonies, lagged behind. In fact, in the case of the Netherlands, the process of industrialisation did not start until the end of the 19th century and, thus, was completely divorced from the important Dutch role in the Atlantic trade during the first half of the 17th century.

Furthermore, if we look beyond the narrow question of industrialisation and, instead, look at the wider issue of Europe's standard of living, the chronological gap between colonial trade and industrialisation becomes even wider. According to P. Bairoch, Europe did not move ahead of other continents—North America excepted—until the 1950s, by which time Europe's colonial epoch had long ended. In short, trade with the empire may have been important, although this is debatable, before the Industrial Revolution, but it lost any primacy it might have had in the years after 1780 when it would have been needed most.[22]

Thus, colonial countries like Britain, France, the Netherlands, Portugal, and Spain have been characterised by a slower rate of economic growth and industrialisation than largely noncolonial nations such as Belgium, Germany, Sweden, Switzerland, and the United States. The "rule" is, to a certain extent, also valid for the 20th century. Thus Belgium, by becoming a colonial power in the early 20th century, also began to suffer from slow growth. The loss of the Netherlands' colonial Empire after World War II was followed by increased economic development. Colonialism, as Bairoch and others argue was, therefore, not a necessity for industrial growth in

[22] Bairoch, 1993.

Europe; in fact, it may have, instead, been a stumbling block to economic growth and development there. If one compares the rate of growth during the 19th century it appears that noncolonial countries had a more rapid economic development than colonial ones.[23]

Since, as has been seen above, historiography has moved beyond mono-causal and linear explanations for industrialisation, it now seems an outdated idea that colonial commerce and slavery, and the slave trade in particular, might have been at the root of Europe's development. Therefore, some historians are looking at non-economic factors in their attempts to defend the importance of the colonial world for the development of Europe. One of these scholars, R. Blackburn, continues to stress the importance of the profits of slavery and the slave trade, but, at the same time, redirects the debate toward cultural rather than economic factors, as can be seen from the subtitle *From the Baroque to the Modern* of his last book *The Making of New World Slavery*. According to Blackburn, colonial trade not only brought profits to Europe, but it also stimulated a more "qualitative" change.[24] Similarly, C. Shammas insists that we should adopt a different perspective from that of the nation state and, instead, look at the volume of trade within one colonial empire instead of at the volume of trade between nation states. Trade between nation states usually dwarfed trade within one colonial empire. She argues that this intracolonial trade was not important during the colonial period. Instead, it was the colonial links that mattered.[25] Though this suggestion is original, it hardly explains why twenty million inhabitants in the same empire were more important to trade, production, and consumption than the sixty million living in other empires. However, Shammas's theory does have some validity, because the colonial consumers and producers were more important to some cities and regions of the European nation states than to others. The colonial impact differs greatly from nation-state to nation-state, as will be seen in the contributions to this volume.

[23] Ibid., p. 77.

[24] Robin Blackburn, *The Making of New World Slavery. From the Baroque to the Modern, 1492–1800* (London: Verso, 1997).

[25] Carole Shammas, "The Revolutionary Impact of European Demand for Tropical Goods," in John J. McCusker and Kenneth Morgan, eds., *The Early Modern Atlantic Economy* (Cambridge: Cambridge University Press, 2000), 163–85.

In addition to discussing the trade between Europe and the colonies, recent studies indicate that inter-colonial trade should not be neglected. In *The Early Modern Atlantic Economy*, K. Morgan prefers to analyse "the growth of aggregate demand in relation to Britain's early industrialisation produced by a combination of domestic and external factors, rather than resorting to the traditional distinction between home and foreign demand."[26] And, in the same volume, David Hancock proposes replacing the model of the "hub and spoke" by what he calls a "spider-web trade."[27] The "hub and spoke" can be illustrated by the traditional trades in sugar and tobacco, organised and dominated by traders in the European port cities. The "spider-web" trade emerged later, when the Atlantic economy had become integrated, thereby reducing the importance of the European port cities in favour of the colonial ports. The existence of this spider-web trade can best be exemplified by the trade in Madeira wine, which was related to a "decentralised" system, organised directly between the areas of production and consumption, far away from the centres of European commerce.

Because of the growing awareness that the link between colonial trade and the development of Europe was much more complex than hitherto believed, we felt the need to bring the various specialists in this area of study together. Their brief was to assess the new directions in the historiography of this subject matter in relation to their specific fields of expertise. Ideally, these assessments should lead to new answers to old questions, to new questions, and, hopefully, to new research. With this intention an international conference was organised at the University of Lorient, France, in September 2001.

A second purpose of the conference was to widen the debate on the impact of colonial trade to all the countries and not to Britain alone, as has so often been the case in the last decades. In addition to Britain, France, Spain, Portugal, the Netherlands, Denmark, and Sweden were analysed during the conference. The contributions to *Deus ex Machina* also focus on a longer time-period than the 18th century alone, again a deviation from the usual analysis. The

[26] John J. McCusker and Kenneth Morgan, eds., *The Early Modern Atlantic Economy* (Cambridge: Cambridge University Press, 2000).

[27] David Hancock, "A Revolution in the Trade: Wine Distribution and the Development of the Infrastructure of the Atlantic Market Economy, 1703–1807," in *The Early Modern Atlantic Economy*, 105–53.

contributions to this volume not only deal with the period between 1500 and 1800, but also with the 19th and 20th centuries. Several contributions specifically discuss the transition period between 1750 and 1850, bridging the classical divide between the "old" and "new" colonialism. Furthermore, this collection of essays presents new information regarding the non-European trade of countries other than Britain, and most contributors pay special attention to the impact of the slave trade and of slavery on the economy of the mother country that they analyse.

The collection offers six contributions discussing the general aspects of the economic impact of Europe's expansion followed by eight contributions dealing with individual countries. In the first part of this book, Patrick O'Brien sets the tone by reiterating his previous claim that foreign trade did not help to bring about the Industrial Revolution. The volume and the profits of that trade were simply too small in relation to the general economy. Even if we look for qualitative arguments, a connection is difficult to establish. Only in Great Britain, and only during the second half of the 18th century, did the trade to non-European parts of the world increase more rapidly than trade in general. Even then, it constituted less than half of all British trade. In addition, none of the goods imported from outside Europe were vital to the European societies at the time. Sugar provided only a small share of the calories consumed, and cotton became important to British industry only after industrialisation. In sum, internal, not external, factors helped Great Britain and the other European countries to achieve the growth necessary to finance and establish their Industrial Revolutions. In reviewing the majority of the modern theories about the "European miracle," O'Brien makes two observations regarding the period between 1500 and 1750. First, he states that the Great Divergence between Europe and the rest the world occurred much later than has hitherto been assumed. Second, O'Brien points to the extreme diversity of the factors that might have played a role in bringing the so-called miracle about, such as imports and exports, improvements in farming, social and political structures, cultivable land, and coal resources, to name a few. Before 1750, it was impossible to determine which factor would be of importance in the subsequent growth spurt. The old paradigms were linked to a small and clearly identifiable range of "pre-conditions" on which the industrial takeoff was supposed to have been based. O'Brien now advances a much more refined idea of a set of progressively emerging plateaus from where the transition to an industrial market economy became feasible.

This conclusion is fully endorsed by Michel Morineau, the *doyen* of historians of Early Modern trade. He states that the concept of what was a "trump" in economic development fluctuated over time and depended very much on the personal opinion of the observer. In addition, Morineau recalls that the debate regarding the economic importance of the slave trade and of slavery itself has led to the conclusion that these branches of the economy had only an indirect influence on insurance, banking and manufacturing—what he calls "limited sectorial developments in space and in time." Rather than singling out certain causes and the opinions of the "grand masters," Morineau suggests that we return to the observations of the contemporaries regarding economic assets. According to O'Brien and Morineau colonial trade was only one advantage among many during the course of Europe's economic development.

Colonial trade might have been an asset, but in quantitative terms it was of very limited importance according to Bouda Etemad in the opening contribution to the section "From quantitative to dynamic approaches" in this volume. By providing the statistical evidence regarding the volume of trade for the five colonial empires between 1750 and 1950, Etemad shows that Great Britain was the only colonial power to enjoy uninterrupted trade and migration with the colonial world in the period between the 1750s and 1850s. His tables also highlight the fact that, overall, for European nations the trade with one another was far more important than their colonial trade, with the exception of a few decades in the case of Britain, Spain, and Portugal. During the course of the 18th century, international trade had become more colonial, but this trend was reversed during the 19th and 20th centuries. And, after decolonisation, only 3% of the trade of the former colonial powers was directed toward their former tropical colonies. Even that percentage was inflated because of re-exportations on both sides.

Patrick Verley points out that, during the late 18th and early 19th centuries, colonial trade was a vital link in the complex world of trade and payments. However, he adds that this observation is the result of an economic distortion. He asserts that intercontinental trade was marginal both in volume and value, that it consisted mainly of luxury goods, and that growth in this trade was easy to achieve because incomes in Europe rose and the demand for intercontinental luxury goods was highly elastic. Verley writes that, when we look at trade in general, there is no doubt that most trade occurred between the countries of Europe and between Europe and the United States. Colonial trade usually functioned as a replacement for markets lost elsewhere. The impact of colonial trade on the economy should have increased after Europe moved from being a demand economy to a supply economy during the second half of the 19th century. In historical reality, however, the reverse is true.

In concluding the first part of the volume, Gérard Le Bouëdec discusses a forgotten sector of development—that of European coastal shipping. He recalls that coastal shipping played a determinant role in the rise of commercial networks in Europe long before European ships began sailing to other continents. This coastal trade enabled the various regions in Europe to develop their competitive advantages and to integrate their economies. In order for colonial trade to grow, it was necessary to use the established circuits of the traditional coastal traffic. He goes on to assert that this coastal trade always remained far more important for Europe than all the non-European trade combined. It was not until the transport revolution of the 19th century that coastal shipping gradually lost its importance. Toward the end of the 19th century, France, according to Le Bouëdec, neglected its international coastal traffic and began to specialise in colonial shipping, because French coastal shipping was unable to compete, while colonial shipping enjoyed government protection.

The second part of the volume consists of contributions on Portugal, Spain, and the Netherlands, the first European countries to be involved in transoceanic exploration and trade. The history of the Iberian countries shows a remarkable cleavage between the fabled importance of empire and the economic reality. Around 1500 both Portugal and Spain were the two most advanced countries in Europe. They were the first countries to expand beyond the borders of Europe; they had, as it were, first choice of the overseas territories and, as a result, they seemed to have assembled a particularly promising collection of colonial assets. Spain conquered the most developed parts of the New World—those areas possessing plenty of local labour and natural treasures such as precious metals. Portugal was able to monopolise the trade with Asia and also developed Brazil into the world's major sugar producer. Yet, after three centuries of colonial exploitation, the economies of both Portugal and Spain no longer ranked among the foremost in Europe. Instead, the Iberian Peninsula had become an economic, social, and political backwater, and it remained so until recently.

Manuel Bustos-Rodriquez explains why Spain's promise was not fulfilled. He points to the limited impact of the trade with the New World on the Spanish economy and to the fact that the range of export products from Spain was confined to textiles and alcoholic beverages, and even some of these were re-exports. This explains why, during the first decade of the 19th century, the impact of the Continental Blockade on the Spanish domestic economy was limited. The author makes note of the fact that Catalonia experienced some modernising effects from its trade with America, but emphasises Catalonia's unique position in comparison with the rest of Spain. During the Middle Ages, Catalonia had been the most advanced area of Spain, and this legacy allowed it to profit more from colonial trade than any other region in Spain. Over time, colonial trade became no more than a *niche* for Spanish merchants who could not compete in the European markets.

In a similar fashion, H. Pietschmann and N. Wiecker point to the limited effects of intercontinental trade on the economic development of Portugal. The authors start out by saying that, in the Iberian Peninsula, "transatlantic connections in the 18th century were primarily of an economic nature," but their contribution highlights the importance of political and cultural rather than economic factors. The gold imports from the Americas are a case in point. These compensated for Portugal's deficit in her balance of trade with England. That deficit was the result of an unbalanced economic treaty concluded on the basis of domestic and international political considerations. In the end only a small amount of gold remained in Portugal. The authors conclude their contribution by discussing the link between the fiscal crisis and the changes in the political relationship between Brazil and Portugal during the second half of the 18th century. In addition, Pietschmann and Wiecker suggest that the nature of the political subordination of the colonies to the mother country should be reconsidered. We know too little about the relationship between politics and the economy. This relationship was of the utmost importance in the trade connections between Portugal and the rest of Europe. We are similarly ill-informed about the networks, strategies, and culture of the Portuguese and Brazilian merchants, nor do we know enough about the impact of the large out-migration from Portugal, including such successful groups as the Sephardi Jews.

Another interesting case is presented by the Dutch Republic (1600–1806) and the Kingdom of the Netherlands (1806–present). In many ways, the mercantile activities of the Dutch developed side by side with those of Britain. The outcome, however, was quite different, as is argued by Pieter Emmer. The impact of the trade with Asia on the Dutch economy was considerable, but, over time, that impact declined even though the Dutch kept investing in the trade with Asia and each year continued to send thousands of young men there as sailors and soldiers. In the Atlantic, the Dutch suffered bad luck. Their conquest of part of Brazil (1630–54) was short-lived and cost them dearly when the Portuguese retook it. In the following century, the Dutch invested far too much money in their Caribbean plantation colonies, resulting in a crash of the stock exchange and heavy losses for the investors. In spite of these negative developments, the importance of the colonies to the Dutch economy increased because, after 1750, Dutch shipping and trading firms were driven out of the competitive markets in Europe, which increased their dependence on the protected colonial markets.

What about France, the second largest colonial power during the modern as well as the contemporary periods? Guillaume Daudin makes a statistical comparison between the non-European trade of Britain and France and concludes that France only received 7% of her economic growth from intercontinental trade. Had there been no intercontinental trade at all, France's national income would have been lowered by a mere 1.5 to 2%. There is no reason to assume that French merchant firms involved in colonial trade would invest more than an average amount in manufacturing and, if they did, their investments would have been limited to the industries in the port cities where they were located. Intercontinental and colonial trade did little more than increase the number of traders and postpone the moment in which investment in trade would suffer from diminishing returns. In sum, Daudin suggests that colonial trade was important as an investment opportunity for wealthy traders in the French ports, but that, on the whole, the colonies cost France more than they yielded.

This argument is carried even further by Olivier Pétré-Grenouilleau who argues that France, in fact, might have incurred heavy economic losses because of its overseas expansion. That conclusion is, in part, based on research into the costs and benefits of the French overseas empire during the 19th and 20th centuries. The author is inclined to draw similar conclusions for the preceding period. Before their entry into the transoceanic trade, French trading and shipping firms were already well developed. They used the colonial markets in order to escape the more competitive markets. In the long run, avoiding competition turned out to be detrimental to French shipping and trade. Pétré-Grenouilleau also theorizes that industrialisation triggered by overseas trade remained limited to a few port cities, and that these port cities were not well connected to the rest of the French economy.

François Crouzet underpins O'Brien's contribution by providing both the data and the analysis regarding British foreign trade during the crucial years between 1750 and 1850. Crouzet shows that Britain "Americanised" her trade during the second half of the 18th century, but that Europe remained her most important market, especially for industrialised goods. There is, indeed, a remarkable growth in Britain's trade with some parts of the colonial world, but the share of colonial trade remained modest at best. After 1850, British production and trading firms sought refuge in the colonial markets in order to escape competition elsewhere. In times of war, Great Britain used its colonial markets to replace those on the Continent.

The last section of the book is devoted to the Baltic. Pierrick Pourchasse demonstrates that French, Spanish, and Portuguese shipping in this region was not competitive in the Baltic trade—the so-called mother of all European trades. In the case of France, shipping costs were too high. Employing too many sailors made French shipping too expensive. The French merchants also neglected building up a trading network in the North. In contrast, Dutch and British merchant ships employed a far smaller crew and could rely on well-organised commercial networks, which explains why the lucrative trade to the Baltic remained firmly in their hands.

The colonial impact on the economies of Denmark and Sweden was far less important than elsewhere in Western Europe as pointed out by Dan Andersen and Leos Müller. Both contributors argue that, in the beginning, the intercontinental trade and overseas expansion of Denmark and Sweden were linked to international politics. Economic considerations came second. Over time, the intercontinental trade networks of both countries comprised an Atlantic as well as an Asian section, but the volume of trade was marginal compared to the Nordic trade in general, though this was more the case for Sweden than for Denmark. There was no way in which the profits of the slave trade, and of slave-produced products, could have contributed to the modernisation of the Nordic economies.

The three articles devoted to the Baltic region demonstrate that interregional trade was far more important to Europe's economic development than were the global trade networks. In addition, these last three articles show that colonial products increased the volume of intra-European trade, and that the Baltic was able to profit from more trade in spite of the fact that the region was paying for the imports with primary goods such as minerals and wood. What looked like an unequal exchange turned out to be advantageous for the Baltic, as trade linked the region firmly with the rest of Europe. The region's involvement with the non-European world was marginal and limited to periods of war when Denmark and Sweden could profit from their neutral positions.

Writing from various geographical perspectives, all the contributors to this volume arrive at a number of common conclusions. First, they point to the fact that—with the possible exception of Britain—trade to and from the non-Western world was marginal and served as a *chasse gardée* for uncompetitive firms, as well as for firms that might have been competitive, but became less so because of their involvement in colonial trade and the ensuing mercantilist policies. And, even when individuals, private firms or shareholder companies made a profit from trading with the non-European world, the overall result was still negative due to both the large public expenditure and the casualties incurred in defending and administering the various colonies, trading forts and sea routes. In quantitative terms, maritime trade in Europe might have been small by present-day standards, but it was many times larger than the trade to Africa, Asia and the New World at the time.

Second, all authors agree that the spin-off effects of non-European trade were limited in economic as well as in geographical scope. This means that the links between colonial trade and European economic development could be better studied at a local and a regional level. In addition, as pointed out by Morineau, the strategies of merchants, merchant firms, and politicians require further scrutiny, as do the ways in which trade, particularly overseas trade, and the colonies were represented at the time. Cultural and political factors have had more impact on changes in the economy than has been assumed.

Third, most contributions confirm the fact that the "British model" of expansion and colonial trade seems to have been the exception, not the rule. Between 1500 and 1650, the trade in luxury goods, the exploitation of silver mines, and some limited production of cash crops sufficed to make the colonies worthwhile. Between 1650 and 1800, the production of cash crops dominated. Portugal was unable to keep up with the other colonial powers. In fact, it was only due to the compartmentalisation of the sugar market that, after 1650, Brazil continued to produce sugar and coffee, and even experienced a second boom in production after 1750. Spain was unable to keep her place in the market, and the Cuban sugar boom during the 19th century was mainly based on non-Spanish investments, shipping, and consumption. The Dutch tried to change from trade to a combination of trade and production, but never fully succeeded. France was able to work wonders in the production of cash cops, as demonstrated by the growth of the coffee and sugar output of Saint Domingue, but lacked efficient transport and marketing systems. Only Britain succeeded in both diversifying its investments abroad and devising an efficient tax system that allowed for the construction and operation of the most effective navy at the time. Yet, even in the British case, there are signs that the exploitation of its colonial empire benefited a few at the expense of many.[28]

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[28] L. E. Davis and R. A. Huttenback, *Mammon and the Pursuit of Empire. The Political Economy of British Imperialism, 1884–1912* (Cambridge: Cambridge University Press, 1986).