‘Unlocking’ the Baltic lands: the impact of industrialisation, globalisation and power politics on Baltic trade, 1670-1850 (working title)

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This study deals with the development in the Baltic of commercial exchange with Europe and the world from the mid-seventeenth to the mid-nineteenth century. Commercial exchange comprises the exchange of goods and the exchange of transport services. Commercial exchange is only possible when an institutional framework is in place that facilitates the movement of goods, the distribution of information and the execution of (cashless) payments, while also allowing for the limitation of risks involved with trade, either through judicial measures or through insurance. The Baltic, which is the geographical unit that stands in the focus of our attention, never was a unified economic space, in the Braudellian sense of the word. Rather it was – at least from the time of the Hanse – a subordinate part of the European system of commercial exchange, with Amsterdam, Hamburg and London as its main points of gravity.

The research covers a period of almost two centuries, from the heyday of Dutch primacy in world trade around 1670 until the ‘end’ of the Industrial Revolution and the establishment of industrial societies in parts of Europe and the United States around 1850. Logically, the causes for change in the volume, value and geography of Baltic trade and transport between 1670 and 1850 have to be sought in the impact of power politics, globalisation and industrialisation (1) on the volume, value and geography of the supply of and demand for raw materials, finished goods or foodstuffs and (2) on the institutional framework facilitating commercial exchange in the Baltic. In this context, globalisation refers to the discovery of ‘new’ markets outside of Europe and their incorporation in the European trade system. Industrialisation refers to a change in the structure of an economy, in which the share of industrial production rises faster than the share of agriculture.

Thanks to the Sound Toll Registers we are extremely well-informed about the role of the Baltic in the northwest European system of exchange. At the same time, much of historiography seems to have been misguided by the impression of Geschlossenheit and passiveness that the Sound tolls induced on our thinking about the Baltic. Rather than the international trade connections an sich, which indeed are the foremost important tool for getting grip on the changing patterns of exchange with Europe and the World, our understanding of the economic structure of the Baltic and changes therein can only be forwarded fundamentally with the analysis of the vast land masses that surround it, and by asking how they became ‘unlocked’ in the course of the eighteenth and the first half of the nineteenth century. Most clearly, this happened in a rather drastic manner, through warfare (Great Northern War) and through extreme power politics, which found their most violent expression in the partitions of Poland. At the same time, however, the ‘unlocking’ of the Baltic lands was also forwarded by the introduction and adaptation of economic principles developed in the northwest European commercial system, and by the pursuit of a proper course of development, marked by genuine, tailor-made economic policies in the Baltic lands (primarily Prussia and Russia).

When the rationale of the rise of the West, i.e. the continuous concern with productivity increase and wealth creation, expanded into the Baltic realm, the emergence of an unified economic space with St. Petersburg, Stockholm and Stettin as its nodal points can be witnessed. This economic space no longer was a subordinate part of the northwest European system of exchange, that primarily played a role as supplier of grain and timber; it became an integrated part of it. Consequently, mainstream (as well as heterodox) economists’ statements with regard to the rise of the West, which
are mostly attributed to developments in the North Sea area (if not to England alone), should be revised to take into account both (1) the contribution of the ‘unlocked’ Baltic lands to this rise – which by the mid-19th century functioned not solely as a supplier of energy and raw materials anymore, but also as a producer of finished products and as a consumer of overseas goods – and (2) the occurrence of similar processes of globalisation and industrialisation in the Baltic lands.

The central research questions then become: How were the Baltic lands ‘unlocked’? What was the rationale behind it; what were its economic prerequisites? Can different stages be identified in the process of unlocking the Baltic lands, focusing on the three main subject areas defined above: power politics, globalisation and industrialisation? How can these stages be explained? These empirical research questions are complemented with a historiographical and a theoretical question: What might be the impact of the empirical analysis executed in this study on the image of the Baltic in economic-historical literature? And: What is the contemporary relevance of the theoretical framework for the study of the impact of power politics, globalisation and industrialisation on international commercial exchange?

I hypothesize that (1) the sum of the changes that made the ‘unlocking’ of the Baltic lands possible should be understood as an expression of the ‘discovery of logistics’, i.e. of the emergence and gradual incorporation of a novel, scientific way of thinking about and dealing with the physical distribution of goods under given political and economic circumstances, (2) the traditional story of the rise of the West is profoundly biased by insufficient knowledge of the history of Baltic trade, (3) the predominant assertion that the Baltic was an economically stagnant, backward and peripheral part of Europe is simplistic and false, and (4) the history of Baltic trade and transport between 1670 and 1850, witnesses the impact of globalisation, industrialisation and international power politics on the value, volume and geography of trade and transport as well as on its institutional framework, thus underlining the importance of the discovery of logistics and its effects on all levels of international commercial exchange.

The research consists of a theoretical part, an empirical analysis and a synthesis. In the theoretical part, a framework for the subsequent empirical analysis is elaborated based on the insights of Friedrich List (1789-1846), who has devoted predominant attention to transport infrastructure as a means of promoting economic development, and of the German-Russian economic thinker Heinrich von Storch (1766-1835), who has dealt explicitly and at length in his Gemälde des Russischen Reiches (1797-1803) as well as in Cours d’économie politique (1815) with the state of the Russian economy in the early nineteenth century and the ideal path for development. Of particular importance are Storch’s detailed insights with regard to the history, current state and future prospects of Russia’s commercial exchange and its institutional framework. The ideas of prominent thinkers in Russia and Prussia in the late eighteenth and during the first half of the nineteenth century, such as Storch and List, will serve as the starting point for revising the contribution of the Baltic to the so-called “Rise of the West”: while British dominance in Baltic trade is undeniable, it might be misleading to assume that the Baltic was a peripheral, stagnating and backward part of the European economy, as is quite commonly suggested in historiography. In light of the contrasting viewpoints regarding Russia’s and Prussia’s preferred (economic) development path, outlined by Storch and List during the first decades of the nineteenth century, and of recent contributions to the debate by Myrdal, Myint, Morineau, O’Brien, Kaplan, Amsden and Rönnbäck, it might be worthwhile to reverse the question and estimate the size of the contribution of the Baltic to the “Rise of the West”, examine how this contribution was achieved, whether significant changes occurred in it during the crucial period of the Industrial Revolution (ca. 1750-1850) and in which way the Baltic’s contribution to the “Rise of the West” might have led to increasing wealth in the “Baltic lands”. In fact, one might go even further
and ask if the Baltic were not an integrated part of the so-called “Rise of The West”, that is now commonly associated with England and the poorly defined “North Sea area”.

The empirical analysis of the volume, value and geography of Baltic trade and transport relies heavily on the data provided by the Sound toll registers online (further: STRO) as well as on additional published and unpublished statistical sources. Since the preparation of STRO for this task required the elaboration of a method for the homogenization, standardisation and conversion of pre-modern weights and measures to their metric equivalents, a separate chapter will be devoted to describing these procedures in detail. The goal of the empirical analysis of the volume, value and geography of Baltic trade and transport is to identify change (1) in the volume and value of Baltic trade, (2) in the geographical structure of Baltic trade, (3) in the volume and value of the production of transport services, (4) in the location of transport services and (5) in the relation between the above-mentioned subject areas. Due to the sheer volume of the data and in line with the research questions formulated above, the statistical analysis of STRO and related sources will be divided into several parts devoted to imports, exports and transport services. The statistical analysis is complemented with an in-depth study of the various components of the institutional framework that facilitated Baltic commercial exchange, including: (1) infrastructure, (2) information, (3) banking, (4) insurance and (5) commercial regulations. The goal of the institutional analysis is to trace the causes of the observed changes in the volume, value and geography of trade and transport services in Baltic commercial exchange, by examining the various key elements of the institutional framework for commercial exchange in the Baltic.

The third and last part of the study provides (1) a valuation of the empirical insights with regard to Baltic commercial exchange and its institutions from the perspective of the proposed theoretical framework and an answer to the question: can the changes in the Baltic lands under the impact of industrialisation usefully be described as the “discovery of logistics”? (2) a revision of the “Rise of the West” debate in light of the results of the empirical analysis; (3) an assessment of the relevance of the research results for the study of the economic effects of international power politics, referring in particular to the impact of the partitions of Poland and the Napoleonic Wars on the structure of Baltic commercial exchange and finally (4) a discussion of the contribution of the history of Baltic trade to the discipline of development economics, in which the relevance of the proposed theoretical framework and its application in the empirical analysis are assessed.
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