

**Charles Kindleberger. "The Rise of Free Trade in Western Europe, 1820-1875", p. 20-55
and "Comment" by John P. McKay, p. 90-93 [n.a.]**

Reviewed by Martin Dimitrov

***Puzzle:** What accounts for the rise of free trade in Europe?*

***Answer:** Instead of focusing on the role of institutions or of purely economic explanations, Kindleberger emphasizes the power of ideas. The spread of liberal ideas was instrumental in convincing states to abandon their prior protectionist policies and to adopt free trade philosophies.*

How could we explain the fact that most European states abandoned their protectionist policies and adopted a liberal free trade policy? Kindleberger argues that even in the nineteenth century, Europe was a "single entity" that moved to free trade policies for ideological rather than purely economic reasons (51). Similar to contemporary diffusion of ideas such as the market economy and democracy, the leading intellectuals of the nineteenth century believed in free trade. In part this belief reflected an optimistic view of science, which was thought to be exact, universally applicable, and superior to other modes of thinking (36). An economic theory existed, and its prescriptions had to be followed.

The trend towards liberalism started in Britain, where manufacturers realized that they could significantly improve their profits by importing cheaper raw materials and selling their outputs at higher prices. Free trade would limit (and possibly) eliminate both the import and the export taxes and thus would benefit the exporters. Allied with the most promising political economists of the day, the exporters successfully lobbied the government and achieved their goals. The new "liberal creed" quickly spread around Europe. In some cases, it was copied blindly, in disregard of the local conditions. Thus, following the orthodoxy of the time, the Italian prime-minister Cavour favored lower import tariffs throughout Italy. This policy hurt the underdeveloped South, which could have benefited from protectionist policies.

McKay's critique: Kindleberger's essay does not meet the standard of good social scientific work. He definitely privileges an ideological explanation for the rise of free trade, but does not test and rule out all of the economic explanations that could provide convincing counterarguments. In particular, he does not take into account the fact that the shift towards free trade in Europe coincides with a period of economic expansion, while protectionist policies coincide with periods of economic retrenchment. Thus, free trade could be just a result of movements in the business cycle. The other rival hypothesis is the correlation between periods of post-war peace and economic expansion. As McKay stresses, the shift towards free trade followed the lifting the war restrictions after the French Revolution and the Napoleonic Wars.