



Explaining Britain's industrial revolution

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A paper tests the popular 'high wage economy' hypothesis

- Why did the industrial revolution take place in Britain? Economic historians have proposed various hypotheses to answer why Britain was the first country in the world to transform from an agricultural to an industrial economy.
- One of the most popular among them is the 'high wage economy' hypothesis put forward by American economic historian Robert C. Allen.
- Allen proposed that the high cost of labour in Britain relative to the cost of fossil fuels like coal encouraged British companies to adopt technology that would help them save on their labour costs.
- So the need for British businesses to save on their labour costs supposedly spurred the industrial revolution.
- "Spinning the industrial revolution", a 2018 paper published by Jane Humphries and Benjamin Schneider in The Economic History Review studies the spinning industry in Britain before the advent of the industrial revolution to examine if Allen's hypothesis actually holds true.
- Contrary to the Allen hypothesis, the authors find that labourers employed in Britain's spinning industry were actually paid low wages.
- One reason for this was that the owners of spinning mills were able to tap an abundant source of cheap labour in the form of women and children from rural Britain.
- Businesses trying to earn profits always look to adopt technology that can help them cut costs, irrespective of the relative prices of factors of production.
- If so, there is probably no reason to believe that there was something unique about factor prices in Britain that caused the industrial revolution to originate there.

Source: [The Hindu](#)

