

University of California, Davis
Fall 2010
Economics 210A
Globalization and Economic Growth in the Long Run

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Course Description

“Globalization” is a multifaceted process linking factor and goods markets across the world’s regions. There is no shortage of economic theory that demonstrates that such integration enhances economic growth and leads to more efficient allocation of resources. There is also a large body of evidence from the historical record that suggests this is so. We aim first to define our terms and lay the ground work: We re-explore the basics of economic growth and the channels through which globalization might matter. Then we ask: what does globalization mean? How do economists and economic historians measure market integration? With these preliminaries we will be able to explore the historical record of globalization and economic growth. Classic topics include here international trade, capital market integration, and immigration. Along the way we will find that the basic growth models only get us so far in understanding the interaction between international economic forces and growth. Topics off the conventional path (at least for those most familiar with the modern growth literature) but nevertheless important will focus on the following: the industrious revolution, empires and colonization, market structure and unified growth models, the relation between economic fluctuations, and growth and the level of economic activity. Related to the final two subjects, there is a subsidiary corner of the literature that suggests that globalization may be detrimental for growth in a number ways and there exist some studies that show that globalization may not always be Pareto improving. By the end of the class you should have the capability of forming a solid opinion on the subject.

As always, I am open to replacing or amending some of the topics by popular demand.

More Information:

This course is intended for graduate students. We will rely on having familiarity with the basics of international trade, international finance, macroeconomics and basic econometric methods. The course will meet twice a week on Mondays and Wednesdays. Mainly I would like the course to follow a seminar format with lively discussion and exchange. We’ll see how this works. With 20 people in the room this quarter it could be fun!

Readings

Readings marked with a * will be made available for photocopying in advance of each class. Readings for each lecture should be read in advance to make for a constructive dialog.

What will be required?

Students will be asked to present a summary of one paper during each class. Since this is a large class not everyone will have to present every time. We'll plan on 2-3 presentations per session from students.

These in-class presentations will count for 25% of your grade. You will also need to participate in the discussion and that means also reading the papers not assigned to you.

A Paper will count for the other 75%

You will be required to write a paper for this class. The primary goal is to get in the practice of writing an academic paper of article length suitable for an academic journal (and your dissertation!). In expectation the paper will be 20 pages, but around that mean there will be a variance in outcomes depending on the topic and density etc. Papers can begin with replications and extensions of existing papers but some originality in the final product is desirable.

I suggest you write a paper on globalization and growth (with at least some historical perspective) from a unique and new angle. Unique means using a new technique, new data set, a new idea or some or all of these combined. This means you can write a macro or a micro paper or even an (applied) econometrics paper. A 1 page summary of the paper topic will be due in the first week of November. Further discussions may need to take place to hone the idea. I welcome further consultations.

Reading List

Most readings have hyperlinks that are accessible within the UC Davis domain or via your VPN from off-campus. Some readings are not available online. Those are marked with a * and will be made available to students before the class as appropriate. Suggested readings are worth your while but we may not have time to discuss them all. You might browse the more quickly to get acquainted with the main arguments.

I. Economic Growth and Globalization: Basics

I.A Economic Growth: Workhorse models and ideas (Week 1, 9/25 9/27)

Solow, R. 1956. [A Contribution to the Theory of Economic Growth](#) Quarterly Journal of Economics 70 (1) pp. 65-94.

Lewis, W. Arthur. *The Evolution of the International Economic Order*. Princeton: Princeton University Press, 1977. Chs. 1-4. *

Galor, O. 2005 "[From Stagnation to Growth: Unified Growth Theory](#)" in *Handbook of Economic Growth* Aghion, P. and Durlauf, S. eds. pp. 172-293

Paul Romer, "[Why Indeed in America? Theory, History and Economic Growth](#)," *American Economic Review* (May 1996), pp.202-206.

Parente, S. [The Failure of Endogenous Growth](#). Knowledge, Technology and Policy 13 (2001) 49-58.

Williamson, J. G. "[Globalization, Convergence, and History](#)." *Journal of Economic History* 56 (June 1996) pp277-306.

Abramovitz, M. "[Catching Up, Forging Ahead, and Falling Behind](#)." *Journal of Economic History* 46 (June 1986): 385-406.

Watkins, Mira 1963 "[The Staple Theory of Economic Growth](#)" Canadian Journal of Economics and Political Science 29(2) pp. 141-158.

I.B Economic Growth and Income over the Long-Run: What we know (Week 2, 10/4, 10/6)

Allen, Robert C., 2001. The Great Divergence in European Wages and Prices from the Middle Ages to the First World War. *Explorations in Economic History*, vol. 38(4), pages 411-447, October. <http://ideas.repec.org/a/eee/exehis/v38y2001i4p411-447.html>

Gregory Clark. 2005. The Condition of the Working Class in England, 1209-2004. *Journal of Political Economy*. vol. 113(6), pages 1307-1340, December. <http://ideas.repec.org/a/ucp/jpolec/v113y2005i6p1307-1340.html>

Baumol, W. "[Productivity Growth, Convergence and Welfare: What the Long-Run Data Show.](#)" *American Economic Review* 76 (December 1986): 1072-85.

Prados de la Escosura, Leandro. "[International Comparisons of Real Product, 1820—1990: An Alternative Data Set.](#)" *Explorations in Economic History* 37 (2000): 1-41.

Taylor, Alan M. "[Sources of Convergence in the Late Nineteenth Century.](#)" *European Economic Review* 43 (1999): 1621—45.

Allen, Robert, C. "[Technology and the Great Divergence](#)" mimeo Nuffield College Oxford.

Further Readings:

Maddison, Angus. 2001. *The World Economy: A Millennial Perspective*. Paris: OECD.

Maddison, Angus. 2002. *The World Economy: Historical Statistics*. Paris: OECD.

I.C Measuring Globalization: Integration in Commodity Markets (Week 3, 10/11, 10/13)

O'Rourke, K.H. and Williamson, J 1994. "[Late Nineteenth Century Anglo-American Factor Price Convergence: Were Heckscher and Ohlin Right?](#)" *Journal of Economic History* 54 (4) pp. 892-916.

Jacks, David S., Christopher M. Meissner and Dennis Novy "[Trade Costs in the First Wave of Globalization](#)", *Explorations in Economic History* vol. 47 (2) pp. 127-141.

David S. Jacks "[Intra- and International Commodity Market Integration in the Atlantic Economy, 1800-1913.](#)" *Explorations in Economic History* 42(3) 2005: 381-413.

Andrew Coleman, [The pitfalls of estimating transactions costs from price data: Evidence from trans-Atlantic gold-point arbitrage, 1886-1905](#), *Explorations in Economic History*, Volume 44, Issue 3, July 2007, Pages 387-410.

O'Rourke, Kevin and Ronald Findlay "[Commodity market integration, 1500-2000](#)". in M.D. Bordo, A.M. Taylor and J.G. Williamson (eds.), *Globalization in Historical Perspective*. University of Chicago Press, NBER 2003.

I.D Capital Market Integration (Week 4, 10/18)

Obstfeld, Maurice and Alan M. Taylor “[Globalization and Capital Markets](#)” NBER working paper 8846.

Michael Bordo “[The Globalization of International Financial Markets: What Can History Teach Us?](#)” Rutgers’s Mimeo.

Bordo, M. [Was there really an earlier era of financial globalization?](#) NBER working paper 6738.

Clemens, Michael A. & Jeffrey G. Williamson, 2004. “[Wealth bias in the first global capital market boom, 1870-1913](#),” *Economic Journal*, vol. 114(495), pages 304-337, 04.

Kaukiainen, Yrjö (2001) “[Shrinking the World: Improvements in the Speed of information Transmission](#)” *European Review of Economic History*. (5) pp. 1-28

Christopher Hoag “[The Atlantic Telegraph Cable and Capital Market Information Flows](#)” *Journal of Economic History* (2006), 66:2:342-353.

II. Economic Growth and the Global Economy up to the Industrial Revolution

II.A Global Markets and Growth 0-1492 A.D. (10/20)

Kremer, Michael. 1993. Population Growth and Technological Change: One Million B.C. to 1990. *Quarterly Journal of Economics* 108 : 681–716.
<http://links.jstor.org/sici?sici=0033-5533%28199308%29108%3A3%3C681%3APGATCO%3E2.0.CO%3B2-A>

*Findlay, Ron and O’Rourke, Kevin 2007 Ch. 1: Introduction in *Power and Plenty* 2007. Princeton University Press, Princeton.

*Coupland, S. The Vikings in Francia and Anglo-Saxon England to 911 in *The new Cambridge medieval history vol. II c. 700-c.900* ed. R. McKitterick. Cambridge University Press.

Geraghty, Ryan M. “[The Impact of Globalization in the Roman Empire, 200BC-100 AD](#)” *Journal of Economic History* 67 (4). Pp. 1036-1061.

II.B International Markets and Growth up to the 18th century (Wednesday of week 5, 10/25)

*Mokyr, J. 2007. “The Market for Ideas and the Origins of Economic Growth in Eighteenth Century Europe” *Tijdschrift voor sociale en Economische Geschiedenis* 4 pp. 3-38.

De Vries, J. “[The Limits of Globalization in the Early Modern World](#)” *Economic History Review* vol. 63 (3) 710-733.

Inikori, Joseph. H. “[Africa and the Globalization Process: western Africa, 1450-1850](#)” *Journal of Global History* 2. Pp. 63-86.

Dittmar, J. “Cities, Institutions and Growth: The Emergence of Zipf’s Law”

O’Rourke, Kevin H., and Jeffrey G. Williamson. 2002. From Malthus to Ohlin? Trade, Growth and Distribution Since 1500. Working Paper Series no. 8955, National Bureau of Economic Research (May). <http://nber.org/papers/w8955>

Goldin, C. and Lewis, F.D. 1980. [The Role of exports in American Economic Growth during the Napoleonic Wars, 1793 to 1807](#). *Explorations in Economic History* vol 17. Pp. 6-25.

II.C Globalization in the Great Divergence and the Industrial Revolution (week 6, 10/27, 11/1)

*Findlay, R. 1982 “Trade and Growth in the Industrial Revolution” in *Economics in the Long View: Essays in Honor of W.W. Rostow*, vol. 1, *Models and Methodology* Kindleberge, C.P. and di Tella G. Macmillan, London.

O’Brien, Patrick K. (1982). ‘[European Economic Development: The Contribution of the Periphery](#),’ *Economic History Review*, 2nd series, Vol. 35, pp. 1-18

Parente, Stephen and Desmet, Klaus 2010 “[Why England First? The End of Resistance and the Start of the Revolution](#)” working paper Univ. of Illinois.

Acemoglu, Daron, Simon Johnson, and James A. Robinson. [The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth](#). MIT, 2002.

O’Rourke, K. Rahman, A. and Taylor, A.M. 2007 “[Trade, Knowledge and the Industrial Revolution](#)” NBER working paper 13057.

McCloskey, D.N. “[Magnanimous Albion: Free Trade and British National Income, 1841-1881](#)” *Explorations in Economic History* 17 (3) 303-320.

O’Brien, Patrick. 1982. *European Economic Development: The Contribution of the Periphery*. *Economic History Review* 35 (February): 1–18.

<http://links.jstor.org/sici?sici=0013-0117%28198202%292%3A35%3A1%3C1%3AEEDTCO%3E2.0.CO%3B2-W>

**Edelstein, M. Imperialism: Cost and Benefit. In *The Economic History of Britain Since 1700*, vol. 2, edited by R. Floud and D. McCloskey. 2nd ed. 2 vols. Cambridge: Cambridge University Press, 1994.

Eltis, D. and Engerman, S.L. 2000. "[The Importance of slavery and the slave trade to industrializing Britain](#)" *Journal of Economic History*. 60 pp. 123-144.

Further Reading:

Clark, Gregory, Kevin H. O'Rourke Alan M. Taylor. 2008. Made in America? The New World, the Old, and the Industrial Revolution. *American Economic Review Papers and Proceedings*. Forthcoming.
http://www.aeaweb.org/annual_mtg_papers/2008/2008_588.pdf

*McCloskey, D.N. "From Dependence to Autonomy: Judgments on Trade as an Engine of British Economic Growth" chs. 7 in *Enterprise and Trade in Victorian Britain*. Boston, George Allen and Unwin.

Ferguson, Niall. 2003. British Imperialism Revised: The Costs and Benefits of 'Anglobalization.' Stern School of Business, New York University, Development Research Institute Working Paper Series No. 2, April 2003.
<http://www.nyu.edu/fas/institute/dri/DRIWP/DRIWP02.pdf>

Nathan Nunn, 2008. The Long-Term Effects of Africa's Slave Trades. *The Quarterly Journal of Economics*, MIT Press, vol. 123(1), pages 139-176, 02.
<http://www.mitpressjournals.org/doi/pdfplus/10.1162/qjec.2008.123.1.139>

Offer, Avner. The British Empire, 1870–1914: A Waste of Money? *Economic History Review* 46 (1993): 215–39. <http://links.jstor.org/sici?sici=0013-0117%28199305%292%3A46%3A2%3C215%3ATBE1AW%3E2.0.CO%3B2-N>

III. Globalization and Growth in the 19th Century

III.A International Trade and Growth, Cross Country Evidence (Week 7, 11/3, 11/8)

Robert E. Lucas, Jr., 2007. "Trade and the Diffusion of the Industrial Revolution." NBER Working Papers 13286. <http://ideas.repec.org/p/nbr/nberwo/13286.html>

O'Rourke, Kevin H., Alan M. Taylor, and Jeffrey G. Williamson. "[Factor Price Convergence in the Late Nineteenth Century.](#)" *International Economic Review* 37 (1996): 499—530.

O'Rourke, K. H. (2000). "[Tariffs and growth in the late 19th century.](#)" *Economic Journal* 110, pp. 456–83.

Irwin, D. A. (2002b). "[Interpreting the tariff-growth correlation of the late nineteenth century.](#)" *American Economic Review* 92 (2) pp. 165-169.

Irwin, D. A. and Tervio, M. (2002). "[Does trade raise income? Evidence from the twentieth century.](#)" *Journal of International Economics* 58, pp. 1–18.

Jacks, David S., 2006. "[New results on the tariff growth paradox,](#)" *European Review of Economic History*, vol. 10(02), pages 205-230, July. *ejournals*

Lehmann, Sibylle H. & Kevin H. O'Rourke, 2008. "The Structure of Protection and Growth in the Late 19th Century," NBER Working Papers 14493, National Bureau of Economic Research, Inc. <http://www.nber.org/papers/w14493>

Wright, Gavin. "[The Origins of American Industrial Success, 1879-1940.](#)" *American Economic Review* 80 (September 1990): 651-68.

Further Reading

WP Kennedy "[Foreign Investment, Trade and Growth in the United Kingdom, 1870-1913](#)" (1974) *Explorations in Economic History* 11 (4) pp. 415-444.

Field, Alexander J.,[The Magnetic Telegraph, Price and Quantity Data, and the New Management of Capital.](#) *Journal of Economic History*, Vol. 52, pp. 401-413, June 1992.

Allen, R. C. "[International Competition in Iron and Steel, 1850-1913.](#)" *Journal of Economic History* 39 (1979): 911-37.

III.B Growth and Globalization: Convergence (week 8, 11/10, 11/15)

Bordo, Michael and Christopher M. Meissner "[Foreign Capital and Economic Growth in the First Era of Globalization](#)" forthcoming *European Review of Economic History*.

O'Rourke, Kevin H., and Jeffrey G. Williamson. "[Late 19th Century Anglo-American Factor Price Convergence: Were Heckscher and Ohlin Right?](#)" *Journal of Economic History* 54 (December 1994): 1-25.

Taylor, Alan M., and Jeffrey G. Williamson. "[Convergence in the Age of Mass Migration.](#)" *European Review of Economic History* 1 (1997): 27—63.

Clark, Gregory, and Robert C. Feenstra. 2003. Technology in the Great Divergence. In *Globalization in Historical Perspective*, edited by M. D. Bordo, A. M. Taylor and J. G. Williamson. Chicago: University of Chicago Press. <http://papers.nber.org/papers/w8596>

Milanovic, B. 2006 “[Economic Integration and Income Convergence: Not Such a Strong Link?](#)” *Review of Economics and Statistics*. 88 (4) pp. 659-670.

Peter Rousseau and Richard Sylla “[Financial Systems, Economic Growth, and Globalization](#)” NBER working paper 8323.

Schularick, M. and Steger, Thomas (forthcoming) “[Financial Integration, Investment, And Economic Growth: Evidence From Two Eras Of Financial Globalization](#)” *Review of Economics and Statistics*.

O’Rourke, Kevin H., and Jeffrey G. Williamson. 2006. “[Around the European periphery 1870 1913: Globalization, schooling and growth.](#)” *European Review of Economic History*, vol. 1(02), pages 153-190, September.

Nugent, J.B. 1973 “[Exchange Rate Movements and Economic Development in the late nineteenth Century](#)” *Journal of Political Economy* 81 pp. 1110-35.

Beatty, E. “[The Impact of Foreign Trade on the Mexican Economy: Terms of Trade and the Rise of Industry 1880-1923](#)” *Journal of Latin American Studies* 32 (2) 399-433.

Catão, L.A.V. 1998 “[Mexico and Export-led growth: the Porfirian period revisited](#)” *Cambridge Journal of Economics* 22 (1) pp. 59-78.

IV. Political Economy of Globalization (Monday week 9, 11/17)

Raghuram Rajan and Luigi Zingales “[The Great Reversals: The Politics of Financial Development in the 20th Century](#)” NBER working paper 8178.

Taylor, Alan M. “[On the Costs of Inward-Looking Development: Price Distortions, Growth, and Divergence in Latin America.](#)” *Journal of Economic History* 58 (1998): 1—28.

O’Rourke, K and Taylor, A.M. 2006 “[Democracy and Protectionism](#)” in Hatton, Timothy J., Kevin H. O’Rourke and Alan M. Taylor (eds.) *The New Comparative Economic History: Essays in Honor of Jeffrey G. Williamson*. MIT Press, 2007.

V. The Great Depression and the Collapse of the Global System (11/22)

Eichengreen, B. (1992), “[The Origins and Nature of the Great Slump Revisited.](#)” *Economic History Review* 45(2), 212-239.

Madsen, J. B. (2001), '[Trade barriers and the collapse of world trade during the Great Depression](#)', *Southern Economic Journal*, **67**, pp. 848–68.

Crucini, M. J. and Kahn, J. (1996), '[Tariffs and aggregate economic activity: lessons from the Great Depression](#)', *Journal of Monetary Economics*, **38**, 427–67

Irwin, D. 1998. [The Smoot-Hawley Tariff: A Quantitative Assessment](#). Review of Economics and Statistics. 80 (2), 326-334.

Perri, F. and Quadrini, V. (2002), '[The Great Depression in Italy: Trade Restrictions and Real Wage Rigidities](#)', *Review of Economic Dynamics*, **5**(1), 128-151.

VI. Globalization and Growth Post-World War II (Week 10 11/24)

Sachs, Jeffrey D., and Andrew M. Warner. 1995. Economic Reform and the Process of Global Integration. *Brooking Papers on Economic Activity* : 1–118.

<http://links.jstor.org/sici?sici=0007-2303%281995%291995%3A1%3C1%3AERATPO%3E2.0.CO%3B2-G>

Frankel, Jeffrey A., and David Romer. 1999. Does Trade Cause Growth? *American Economic Review* 89 (June): 379–99. Stable URL: <http://links.jstor.org/sici?sici=0002-8282%28199906%2989%3A3%3C379%3ADTCG%3E2.0.CO%3B2-U>

Edwards, Sebastian, 1992. Trade orientation, distortions and growth in developing countries. *Journal of Development Economics*, vol. 39(1), pages 31-57, July.

<http://ideas.repec.org/a/eee/deveco/v39y1992i1p31-57.html>

Rodriguez, Francisco, and Dani Rodrik. 2001. Trade Policy and Economic Growth: A Skeptic's Guide to Cross-National Evidence. In *NBER Macroeconomics Annual 2000*, edited by B. S. Bernanke and K. Rogoff. <http://nber.org/papers/w7081>

Estevadeordal, Antoni, and Alan M. Taylor. 2007. Is the Washington Consensus Dead? Growth, Openness, and the Great Liberalization, 1970s–2000s. Photocopy.

<http://www.hbs.edu/units/bgic/pdf/Taylor.pdf>

Clemens, Michael A., and Jeffrey G. Williamson. 2004. Why Did the Tariff-Growth Correlation Reverse after 1950? *Journal of Economic Growth* 9 (1): 5-46.

<http://dx.doi.org/10.1023/B:JOEG.0000023015.44856.a9>

Published: Eichengreen, Barry and David Leblang. "[Capital Account Liberalization And Growth: Was Mr. Mahathir Right?](#)," *International Journal of Finance and Economics*, 2003, v8(3,Jul), 205-224.

VII. Paper Presentations (Week 11, 11/29, 12/1)