

UC Davis

Spring 2010

Economics 210C

The Evolution of the World Economy

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COURSE DESCRIPTION

This course is intended for graduate students. A familiarity with some basic concepts of international trade and finance will be useful. The course aims to provide an understanding of the evolution of the world economy since about 1800--a period which, more than any other, saw a rapid growth in the size and scope of trade, finance, migration and other forms of market integration on a global scale, and, as such, shaped the world economy as we know it today. A knowledge of the history of the world economy over this period helps us better understand today's world economy--debates, controversies, tensions, income distribution, patterns of trade and finance, and sources of growth and instability. The course is organized chronologically, dealing with three major epochs in international economic relations: the "long nineteenth century" up to 1913, the interwar period, and the post-World War II period. Crudely, these may be classified as periods of integration, disintegration and reintegration, respectively. In each period we examine major developments in trade and commercial policy, payments and monetary systems, capital movements and labor migration, and relate these to the record of economic development.

INFORMATION

Readings Readings marked * should be read prior to the lecture to facilitate a lively and productive discussion. Indeed, you may be asked to summarize said readings in class. The reading list is long, and you are not expected to read every part of every single element. However, reading broadly is desirable. Learn to skim readings for their pertinent findings (examine introductions and conclusions for pointers to the discussion) and significant empirical contributions (examine tables and figures) until you know what argument is being made. **BOTTOM LINE:** Can you replicate the argument?

Presentations A presentation consists of one student being asked to present, explain, and critique some of the readings in about 20 minutes, followed by class discussion. Usually, we will have two presentations in each class.

Grading Paper 75%, Presentations 25%

Paper As regards layout, the main text should be 20—25 pages in length, set in 12 point and double

spaced with standard margins (one inch), with notes and bibliography using proper annotation and attribution. Consult a style manual if necessary (say, *The Chicago Style Manual*). A major element will be finding a suitable topic. You should consult with the instructor. *To ensure that you are making progress towards finding a paper topic, a one-page proposal summarizing your topic is due by May 1.* But please meet with me frequently before and after May 1 for advice and feedback.

Access to readings Most articles are available online (via the search engines) at:

- University Library (ejournals) <http://www.lib.ucdavis.edu/ul/research/ejournals/>
- National Bureau of Economic Research (NBER) <http://papers.nber.org/papers.html>

Access to some sites is restricted, but is available from the UC Davis domain. Some other articles have a specific URL and are open-access. Remaining articles marked ® will be placed on reserve at the department. Not all books will be placed on reserve.

SYLLABUS

Schedule We will meet Monday/Wednesday as per the class schedule, except that there will be no class on Wednesday, April 21. I propose to hold a makeup class later at a convenient time, probably Friday, June 4 (dead day).

Readings You should do all the assigned reading for the course, and readings marked * should be read prior to the lecture to facilitate a lively and productive discussion. Indeed, you may be asked to summarize said readings in class.

1 Introduction: where are we coming from?

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

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*Allen, Robert C., Jean-Pascal Bassino, Debin Ma, Christine Moll-Murata, and Jan Luiten van Zanden. 2005. Wages, Prices, and Living Standards in China, Japan, and Europe, 1738-1925. UC Davis GPIH Working Paper No. 1, Version: October 2005. http://gpih.ucdavis.edu/files/Allen_et_al.pdf

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<http://press.princeton.edu/titles/8493.html>

Acemoglu, Daron, Simon Johnson, and James A. Robinson. *The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth*. MIT, 2002. Photocopy. <http://www.courses.fas.harvard.edu/~ec2339/Papers/Acemoglu.pdf>

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<http://www.nber.org/papers/w15408>

2 1820-1913: growth, trends and fluctuations

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

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

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

Crafts, N. F. R. "Exogenous or Endogenous Growth? The Industrial Revolution Reconsidered." *Journal of Economic History* 55 (1995): 745-72. [ejournals](#)

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

*O'Rourke, Kevin H. "Tariffs and Growth in the Late 19th Century." *Economic Journal* 110 (2000): 456—83. [ejournals](#)

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>

3 1820-1913: technology

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

*Clark, Gregory. "Why Isn't the Whole World Developed? Lessons from the Cotton Mills." *Journal of Economic History* 47 (March 1987): 141-73. [ejournals](#)

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

*Matsuyama, Kiminori. "Agricultural Productivity, Comparative Advantage, and Economic Growth." *Journal of Economic Theory* 58 (1992): 317—34. [ejournals](#)

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4 1820-1913: international payments and the rise of the gold standard

*Officer, Lawrence. "Gold Standard". EH.Net Encyclopedia, edited by Robert Whaples. October 1, 2001. <http://eh.net/encyclopedia/article/officer.gold.standard>

Hume, David. "Of the Balance of Trade." In *Essays, Moral, Political, and Literary*, Eugene F. Miller, ed. Liberty Fund, Inc. 1742 [1987]. <http://www.econlib.org/library/LFBooks/Hume/hmMPL28.html>

Scammell, W. M. "The Working of the Gold Standard." *Yorkshire Bulletin of Economic and Social Research*, Vol. 16, 1965, pp. 32-45. [ejournals](#)

McCloskey, D. N., and J. R. Zecher. "How the Gold Standard Worked, 1880-1913." In *The Gold Standard in Theory and History*, edited by B. Eichengreen. New York: Methuen, 1985. http://books.google.com/books?id=R66Ctakwm8QC&pg=PR3&source=gb_s_selected_pages&cad=0_1&sig=8ggw_RbaX1RMKUlltbgYEPO5Xu0#PPA57,M1

*Canjels, Eugene, Gauri Prakash-Canjels, and Alan M. Taylor, 2004. "Measuring Market Integration: Foreign Exchange Arbitrage and the Gold Standard, 1879-1913," *Review of Economics and Statistics*, vol. 86(4), pages 868-882, 05. [ejournals](#)

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Bordo, Michael D., and Hugh Rockoff. "The Gold Standard as a "Good Housekeeping Seal of Approval"." *Journal of Economic History* 56, no. 2 (1996): 389-428. [ejournals](#)

*Obstfeld, Maurice, and Alan M. Taylor, 2003. "Sovereign risk, credibility and the gold standard: 1870-1913 versus 1925-31," *Economic Journal*, vol. 113(487), pages 241-275, 04. [ejournals](#)

Ferguson, Niall & Moritz Schularick, 2008. "The 'Thin Film Of Gold' Monetary Rules and Policy Credibility In Developing Countries," NBER Working Papers 13918, National Bureau of Economic Research, Inc. <http://www.nber.org/papers/w13918>

Mitchener, Kris James & Marc D. Weidenmier, 2009. "Are Hard Pegs Ever Credible in Emerging Markets? Evidence from the Classical Gold Standard," NBER Working Papers 15401, National Bureau of Economic Research, Inc. <http://www.nber.org/papers/w15401>

5 1820-1913: capital movements

Edelstein, Michael. *Overseas Investment in the Age of High Imperialism*. New York: Columbia University Press, 1982. Chs. 1, 2 and 7. ®

Neal, Larry. "Integration of International Capital Markets: Quantitative Evidence from the Eighteenth to Twentieth Centuries." *Journal of Economic History* 50 (June 1985): 219-26. [ejournals](#)

Fishlow, Albert, 1985. "Lessons from the Past: Capital Markets during the 19th Century and the Interwar Period," *International Organization*, vol. 39(3), pages 383-439, Summer. [ejournals](#)

*Taylor, Alan M., and Jeffrey G. Williamson. "Capital Flows to the New World as an Intergenerational Transfer." *Journal of Political Economy* 102 (April 1994): 348-71. [ejournals](#)

* 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. [ejournals](#)

Bordo, Michael D. & Christopher M. Meissner, 2007. "Foreign Capital and Economic Growth in the First Era of Globalization," NBER Working Papers 13577, National Bureau of Economic Research, Inc. <http://www.nber.org/papers/w13577>

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Bordo, Michael D. & Cavallo, Alberto F. & Meissner, Christopher M., 2010. "Sudden stops: Determinants and output effects in the first era of globalization, 1880-1913," *Journal of Development Economics*, Elsevier, vol. 91(2), pages 227-241, March. [ejournals](#)

6 1820-1913: migration

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*Hatton, Timothy J., and Jeffrey G. Williamson. "What Drove the Mass Migrations from Europe in the Late Nineteenth Century?" *Population and Development Review* 20 (September 1994): 533-59. [ejournals](#)

*Gráda, Cormac Ó, and Kevin H. O'Rourke. 1997. Migration as Disaster Relief: Lessons from The Great Irish Famine. *European Review of Economic History* 1 (1): 3–25. [ejournals](#)

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Abramitzky, Ran & Leah Platt Boustan & Katherine Eriksson, 2010. "Europe's tired, poor, huddled masses: Self-selection and economic outcomes in the age of mass migration," NBER Working Papers 15684, National Bureau of Economic Research, Inc. <http://www.nber.org/papers/w15684>

7 1820-1913: commercial policy and trade

I Heckscher-Ohlin Approaches

*O'Rourke, Kevin H., and Jeffrey G. Williamson. 2002. "When did globalisation begin?," *European Review of Economic History*, vol. 6(01), pages 23-50, March. [ejournals](#)

Bairoch, P. "European Trade Policy, 1815-1914." In *The Cambridge Economic History of Europe*, vol. 8, edited by P. Mathias and S. Pollard. Cambridge: Cambridge University Press, 1989. ®

Irwin, D. A. "Welfare Effects of British Free Trade: Debate and Evidence from the 1840s." *Journal of Political Economy* 96 (1988): 1142-65. [ejournals](#)

*Williamson, Jeffrey G. "The Impact of the Corn Laws Just Prior to Repeal." *Explorations in Economic History* 27 (April 1990): 123-56. ®

Nye, John V. C. "The Myth of Free-Trade Britain and Fortress France." *Journal of Economic History* 51 (1991): 23-46. [ejournals](#)

*Irwin, Douglas A. "Free Trade and Protection in Nineteenth-Century Britain and France Revisited: A Comment on Nye." *Journal of Economic History* 53 (1993): 146-53. [ejournals](#)

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. [ejournals](#)

*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. [ejournals](#)

*Estevadeordal, Antoni, and Alan M. Taylor. 2002. A Century of Missing Trade? *American Economic Review* 92 (1): 383—93. [ejournals](#)

Rogowski, Ronald. *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*. Princeton, N.J.: Princeton University Press, 1989. Chapters 1—2. ®

* O'Rourke, Kevin H., and Alan M. Taylor, 2006. "Democracy and Protectionism," NBER Working Papers 12250. [NBER](#)

8 1820-1913: commercial policy and trade

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Flandreau, Marc, and Mathilde Maurel, 2005. "Monetary Union, Trade Integration, and Business Cycles in 19th Century Europe," *Open Economies Review*, vol. 16(2), pages 135-152, January.

Jacks, David S., 2006. "What drove 19th century commodity market integration?," *Explorations in Economic History*, vol. 43(3), pages 383-412, July. [ejournals](#)

*Jacks, David S., Christopher M. Meissner & Dennis Novy, 2006. "Trade Costs in the First Wave of Globalization," NBER Working Papers 12602. [NBER](#)

Jacks, David S. & Krishna Pendakur, 2008. "Global Trade and the Maritime Transport Revolution," NBER Working Papers 14139, National Bureau of Economic Research, Inc. <http://www.nber.org/papers/w14139>

*Accominotti, Olivier, and Flandreau, Marc, 2005. "Does Bilateralism Promote Trade? Nineteenth Century Liberalization Revisited," CEPR Discussion Papers 5423, C.E.P.R. Discussion Papers. http://spire.sciences-po.fr/spire/bitstream/2441/670/1/cfi_wp_mf_cepr5423.pdf

9 1820-1913: the core and the periphery

I Win-Lose from Colonialism and Empire?

O'Brien, Patrick. "European Economic Development: The Contribution of the Periphery." *Economic History Review* 35 (February 1982): 1-18. [ejournals](#)

Davis, Lance E., and Robert A. Huttenback. *Mammon and The Pursuit of Empire: The Economics of British Imperialism*. Abridged ed. Cambridge: Cambridge University Press, 1993. Chapters 1 and 10. ®

*Edelstein, Michael. "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. ®

*Offer, Avner. "The British Empire, 1870-1914: A Waste of Money?" *Economic History Review* 46 (1993): 215-38. [ejournals](#)

*Acemoglu, Daron, Simon Johnson, and James A. Robinson. The Colonial Origins of Comparative Development: An Empirical Investigation. *American Economic Review* 91, no. 5 (2001): 1369–96. [ejournals](#)

*Ferguson, Niall, and Moritz Schularick (2006), "The Empire Effect: The Determinants of Country Risk in the First Age of Globalization, 1880–1913." *Journal of Economic History* 66(2), 283-312. [ejournals](#)

Ferguson, Niall. 2003. "British Imperialism Revisited: The Cost and Benefits of Anglobalization." <http://www.nyu.edu/fas/institute/dri/DRIWP/DRIWP02.pdf>

*Mitchener, Kris James, and Marc Weidenmier, 2008. "Trade and Empire," NBER Working Papers 13765. <http://www.nber.org/papers/w13765>

Engerman, Stanley L., and Kenneth L. Sokoloff. 1997. Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies: A View from Economic Historians of the United States. In *How Latin America Fell Behind: Essays on the Economic Histories of Brazil and Mexico, 1800–1914*, edited by Stephen Haber. Stanford, Calif.: Stanford University Press. <http://www.nber.org/papers/h0066>

Schedvin, C. B. "Staples and Regions of Pax Britannica." *Economic History Review* 20 (November 1990): 533-59. [ejournals](#)

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. [ejournals](#)

10 1820-1913: the core and the periphery

II Win-Lose from Globalization?

*Williamson, Jeffrey G. 2002. "Land, Labor, And Globalization In The Third World, 1870 1940," *Journal of Economic History*, vol. 62(01), pages 55-85, May. [ejournals](#)

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*Krugman, Paul, and Anthony J. Venables. "Globalization and the Inequality of Nations." *Quarterly Journal of Economics* 110 (1995): 857–80. [ejournals](#)

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Huberman, Michael & Christopher M. Meissner, 2009. "Riding the Wave of Trade: Explaining the Rise of Labor Regulation in the Golden Age of Globalization," NBER Working Papers 15374, National Bureau of Economic Research, Inc. <http://www.nber.org/papers/w15374>

11 The Interwar Period: war's aftermath; growth, trends and fluctuations in the 1920s

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12 The Interwar Period: trade and capital flows in the 1920s

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13 The Interwar Period: the world in depression.

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della Paolera, Gerardo, and Alan M. Taylor. “Economic Recovery from the Argentine Great Depression: Institutions, Expectations, and the Change of Macroeconomic Regime.” *Journal of Economic History* 59 (1999): 567—99. [ejournals](#)

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14 The Interwar Period: the legacy of the world depression

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15 1945 to the present: growth, technology and human capital

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