

# EC224 War and Economy in the Twentieth Century: 2013/14

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## Aims

To familiarize students that have already acquired Honours-level competence in economic analysis with the economic background and experience of two World Wars and the Cold War, particularly in Europe and North America, and with some applications of economics that have been specific to defence and warfare in the twentieth century.

## Learning Outcomes

By the end of the module, you should be able to:

- Demonstrate general knowledge and understanding of the economic background and experience of two World Wars and the Cold War, particularly in Europe, North America, and the Near East.
- Demonstrate familiarity with some applications of economics that have been specific to defence and warfare in the twentieth century.
- Communicate their knowledge and understanding to others using seminar presentations and an essay.
- Apply critical analysis to the topics of the module, formulate concepts and hypotheses, and show how they are tested in relevant literature.
- Review the relevant literature and evidence and write a report based on this review.
- Lectures, seminars, and independent study will enable you to achieve these learning outcomes. A 2,000-word term paper and a 1½ hour unseen examination will measure your achievement of these outcomes.

## Teaching Arrangements

### Lecture Programme

The module is taught in term 2. Lectures are normally **Thursdays, 11AM to 12 noon in B2.04/5, and 2 to 3PM in R0.03/4.**

- **Introduction** (2 lectures): Some historical trends and some applications of economics to military organization and conflict.
- **World War I** (5 lectures): Economic background and origins of the conflict; economic policies used to wage the war; costs and results of the war.
- **World War II** (6 lectures): Economic background and origins of the conflict; economic policies used to wage war; costs and results of the war. The political economy of food security and military occupation. Alliances and burden sharing.
- **The Cold War** (4 lectures): Economic background and origins of the conflict (included those inherited from the era of the World Wars);

economic policies used to support the Cold War; costs and results of the Cold War. More on alliances and burden sharing. The economics of defence procurement and military industrial lobbies. Military Keynesianism.

### Seminars

The Modern Records Centre has scanned some documents from twentieth century British history that are relevant to the module. These are available at <http://warwick.ac.uk/ec224/details/mrc>. The MRC documentation will provide the basis of seminars in weeks 5, 7, and 9 of the term, held in the centrally timetabled slot on Thursdays at 2PM. The sequence of topics will be:

- **Week 5. Food rationing and price control.**
- **Week 7. War savings: compulsion or voluntarism.**
- **Week 9. The arms trade.**

### Questions

In the seminars, we will try to find answers to the following questions:

- Who wrote these documents and why did they write them?
- What beliefs did they hold about economic and political causation?
- What evidence did they use to support their causal beliefs?
- How do these beliefs differ from yours?

Why should we consider beliefs? You can look up my explanation and some notes on this subject at <http://warwick.ac.uk/ec224/details/beliefs>.

Each seminar will take the form of a student-led presentation, based on one of the case studies. As explained below, each seminar will be preceded by online discussion. All students will take part.

### Presentation teams

In a large class only a few will have the chance to present. At the first lecture, I will invite bids from presentation teams. There are no rules about how to form a team. I expect teams to form on the basis of private acquaintance and public appeal. One team member should bid for the team's preferred slot by email to me. I will allocate slots on the basis of first come, first served. Those that are not selected will also have important roles to play in preparation and discussion.

The minimum size of presentation team is two. There is no upper limit, but the team should not be so large that any member may free-ride. My intuition is that the optimal team size is three.

Joining a presentation team and submitting a bid that I accept is a binding commitment to fill the slot. Once your bid is accepted, you may drop out only on medical or equivalent grounds.

### Preparation and on-line discussion: All students

We will prepare for each seminar in stages.

- **Week X minus 2: Online seminar.** Go to the web page devoted to the seminar topic, including one or two items of supplementary reading for

additional context. Everyone should read the case-study documents and consult the background reading. Note, however, that the purpose of the seminar is to discuss the documents, not the background!

During the week, all students not on the presentation team should post at least one original comment of at least 100 words (a summary, review, or a criticism of some issue or evidence provided in the documentation), or a considered response to another student's comment. You can post a question, but it should be a reasoned question, not just an invitation for others to do the work for you. Individual and group submissions are equally acceptable. If you upload a comment on behalf of a group, make clear who is included. I will monitor participation, and I will be in touch with any that do not take part.

- **Week X minus 1: Presentation teamwork.** The presentation team will create a presentation. Base the presentation on your own reading and the online discussion; in your presentation you should aim to identify the main issues raised in the online discussion and respond to them.

Ideally, produce a 20-25 minute presentation, leaving 20-25 minutes for discussion. Remember the focus should be on the documents, not the background reading (which is for background only). Don't overestimate how much you can cover in that time. Divide the labour among you as you please. A successful presentation will generate arguments among the listeners. Big ideas and relevant evidence are both important, but remember that your purpose should be to promote discussion, not to be comprehensive (or to crush alternative views). Keep some of what you know in reserve, to be brought out if needed. You'll find it hard to underestimate how much you can present in the time available.

- **Week X: The seminar.** I expect everyone to attend. Again, I will be in touch with you if you fail to show up.
- **Week X plus 1: Post mortem.** I will upload the presentation with my own comments. Online discussion may continue indefinitely, of course.

## Assessment

### The summer exam

The module is assessed by a 2,000-word essay and a 90-minute summer exam. The exam carries 80% weight and the essay carries 20%. Choose your essay from the topics below; note that your choice of topic will **not** restrict your choice of questions on the exam paper.

### Assessed essays

Here are three topics. Choose *one*.

- War is a political act. How can economics help to understand war? From the history of twentieth century warfare, provide two examples where the economist's way of thinking has been used to explain causes and/or outcomes. In each case, show how economic thinking has been applied. Was it applied well?

- What is meant by economic mobilization in wartime? Why and how did a predominantly peasant agriculture hinder war mobilization? Give two historical examples from the twentieth century. How effective were the government policies adopted to overcome this obstacle?
- Briefly explain how national defence markets may fall short of textbook definitions of a perfect market. Describe at least two alternative solutions that have been applied in defence markets in the twentieth century and evaluate their effectiveness.

Submit your essay to <http://warwick.ac.uk/economics/ug/esubmission/> where you will find full instructions. The deadline is:

**Thursday 24 April 2014 at 11:55PM**

You will find detailed essay guidance, including my “Top Ten Do’s and Don’ts,” at <http://warwick.ac.uk/ec224/details/essays/>. You should also consult the full guidance in the Department of Economics assessment handbook, available at <http://warwick.ac.uk/economics/ug/current/>, especially with regard to length, quoting and citing, and style of referencing.

## Resources

### On-line resources

You will find many resources at <http://warwick.ac.uk/ec224/> including FAQs, notes, maps, timelines, the MRC case studies, and links to a number of references from the reading list.

### Module forum

We will use the EC224 forum at <http://warwick.ac.uk/ec224/details/forum/> to talk to each other outside the timetabled meetings. I advise you to join the forum and set your preferences to allow email notification of all new messages. That way, you will not need to check the forum to see whether new messages have been posted, and you will not miss them if you fail to check.

## Reading

Nearly everything that you require to study this module is available on line in one of three places:

- As a Warwick Library catalogued electronic resource.
- Under the module web page under “Resources” or “Scans.”
- On my personal web page <http://warwick.ac.uk/markharrison/>, which holds most things I have ever written; click on “Publications” if the item you want is published in a book or journal, or “Current Research” if it is still a working paper.

### Core Reading

- Broadberry, Stephen, and Mark Harrison, eds. 2005. *The Economics of World War I*. Cambridge: Cambridge University Press.
- Harrison, Mark, ed. 1998. *The Economics of World War II: Six Great Powers in International Comparison*. Cambridge: Cambridge University Press.
- Smith, Ron P. 2009. *Military Economics: the Interaction of Power and Money*, especially chapters 1 to 3. Basingstoke: Palgrave Macmillan.

### Reading as you go

It is a requirement of success in this module that you begin to read early and that you read along with the lectures and seminars. Some students have requested weekly reading; if you like the idea of a minimal reading schedule, here is one. All items are available on line via the module web pages or my personal pages.

#### Before meeting

in week:	Read:
2	Onorato, Massimiliano G., Kenneth Scheve, and David Stasavage. 2012. "Technology and the Era of the Mass Army." Working Paper 5/2012, IMT Institute for Advanced Studies, Lucca.
3	Olson, Mancur. 1963. <i>The Economics of the Wartime Shortage: A History of British Food Supplies in the Napoleonic War and in World Wars I and II</i> , chapter 1 ("Introduction: A Theory of Wartime Shortages"). Durham, NC: Duke University Press.
4	The MRC documents available under <a href="http://warwick.ac.uk/ec224/details/seminars/food/">http://warwick.ac.uk/ec224/details/seminars/food/</a>
5	Klemann, Hein, and Sergei Kudriashov. 2012. <i>Occupied Economies: An Economic History of Nazi-Occupied Europe, 1939-1945</i> , chapter 19 ("Conclusion"). London and New York: Berg.
6	The MRC documents available under <a href="http://warwick.ac.uk/ec224/details/seminars/saving/">http://warwick.ac.uk/ec224/details/seminars/saving/</a>
7	Broadberry, Stephen, and Mark Harrison. 2008. "Economics of the Two World Wars." In <i>The New Palgrave Dictionary of Economics</i> (second edition). Edited by Stephen Durlauf and Lawrence Blume. Palgrave Macmillan.
8	The MRC documents available under <a href="http://warwick.ac.uk/ec224/details/seminars/armstrade/">http://warwick.ac.uk/ec224/details/seminars/armstrade/</a>
9	Olson, Mancur, and Richard Zeckhauser. 1966. "An Economic Theory of Alliances." <i>Review of Economics and Statistics</i> 48:3, pp. 266-279.
10	Higgs, Robert V. 1994. "The Cold War Economy: Opportunity Costs, Ideology, and the Politics of Crisis." <i>Explorations in Economic History</i> 31:3, 283-312. Reprinted in Robert V. Higgs. 2006. <i>Depression, War, and Cold War: Studies in Political Economy</i> . New York: Oxford University Press.

## Background

### *The twentieth century in context*

- Dincecco, Mark, and Mauricio Prado. 2012. "Warfare, Fiscal Capacity, and Performance." *Journal of Economic Growth* 17:3, pp. 171-203.
- Hoffman, Philip T. 2011. "Prices, the Military Revolution, and Western Europe's Comparative Advantage in Violence." *Economic History Review* 64:S1, pp. 39-59.
- Ferguson, Niall. 2001. *The Cash Nexus: Money and Power in the Modern World, 1700-2000*. London: Allen Lane.
- Findlay, Ronald, and Kevin O'Rourke. 2007. *Power and Plenty: Trade, War, and the World Economy in the Second Millennium*, chapter 7 ("World trade, 1780-1914: the great specialization"). Princeton and Oxford: Princeton University Press.
- Münkler, Herfried. 2005. *The New Wars*, chapter 2 ("Warfare, State Building and the Thirty Years' War"). Cambridge: Polity Press.
- Pinker, Steven. 2011. *The Better Angels of our Nature: The Decline of Violence in History and its Causes*. London: Allen Lane.
- Tilly, Charles. 1990. *Coercion, Capital, and European States, AD 990-1992*, especially chapter 3 ("How war made states, and vice versa"). Oxford: Blackwell.

### *How armies fight*

- Brennan, Geoffrey, and Gordon Tullock. 1982. "An Economic Theory of Military Tactics: Methodological Individualism at War." *Journal of Economic Behavior and Organization*, 3:2-3, 225-42.
- Keegan, John. 1976. *The Face of Battle: A Study of Agincourt, Waterloo, and the Somme*. London: Jonathan Cape.

### *Why nations fight*

- Bueno de Mesquita, Bruce. 2006. "Game Theory, Political Economy, and the Evolving Study of War and Peace." *American Political Science Review* 100:4, pp. 637-642.
- Eloranta, Jari, and Mark Harrison. 2010. "War and Disintegration, 1914-1945." In *The Cambridge Economic History of Modern Europe, Volume 2: 1870-2000*, pp. 133-155. Edited by Stephen Broadberry and Kevin O'Rourke. Cambridge: Cambridge University Press.
- Gartzke, Erik, and Yonatan Lupu. 2012. "Trading on Preconceptions: Why World War I Was Not a Failure of Economic Interdependence." *International Security* 36/4, pp. 115-150.
- Harrison, Mark, and Nikolaus Wolf. 2012. "The Frequency of Wars." *Economic History Review* 65:3, pp. 1055-1076.
- Herwig, Holger H. 2011. "Military Doomsday Machine"? The Decisions for War 1914. *Journal of Military and Strategic Studies* 13:4.
- Levy, Jack S. 1988. "Domestic Politics and War." *Journal of Interdisciplinary History* 18:4, pp. 653-673.

*The uses of economics*

- Brauer, Jurgen, and Hubert van Tuyll. 2008. *Castles, Battles, and Bombs: How Economics Explains Military History*, chapter 1 ("Economics"). Chicago: University of Chicago Press.
- Bueno de Mesquita, Bruce. 2006. "Game Theory, Political Economy, and the Evolving Study of War and Peace." *American Political Science Review* 100:4, pp. 637-642.
- Harrison, Mark. 2013 "The Economics of Coercion and Conflict: An Introduction." University of Warwick. CAGE Working Paper no. 151.
- Rockoff, Hugh. 2012. *America's Economic Way of War: War and the US Economy from the Spanish-American War to the Persian Gulf War*, chapter 2 ("The economics of war"). Cambridge, Cambridge University Press.
- Smith, Ron P. 2009. *Military Economics: the Interaction of Power and Money*, chapter 2 ("Power and money"). Basingstoke: Palgrave Macmillan.

**Germany**

- Armstrong, Robert B. 1964. *Total Warfare and Compulsory Labor: A Study of the Military-Industrial Complex in Germany During World War I*. The Hague: Mouton.
- Berghahn, Volker R. 1973. *Germany and the Approach of War in 1914*. London: Macmillan.
- Feldman, Gerald D. 1966. *Army, Industry and Labor in Germany, 1914-1918*. Princeton: Princeton University Press.
- Hantke, Max, and Mark Spoerer. 2010. "The Imposed Gift of Versailles: The Fiscal Effects of Restricting the Size of Germany's Armed Forces, 1924-9." *Economic History Review* 63:4, pp. 849-864.
- Marks, Sally. 1978. "The Myths of Reparations." *Central European History* 11:3, pp. 231-255.
- Mason, Timothy. 1968. "The Primacy of Politics: Politics and Economics in National Socialist Germany." In *The Nature of Fascism*, pp. 165-195. Edited by Stuart J. Woolf. London: Weidenfeld & Nicolson.
- Overy, Richard J. 1994. *War and Economy in the Third Reich*. Oxford: Oxford University Press.
- Tooze, Adam. 2006. *The Wages of Destruction: The Making and the Breaking of the Nazi Economy*. London: Allen Lane.
- Van Riel, Arthur, and Arthur Schram. 1993. "Weimar Economic Decline, Nazi Economic Recovery, and the Stabilization of Political Dictatorship." *Journal of Economic History* 53:1, pp. 71-105.

**Aggression and Conquest**

- Collingham, Lizzie. 2010. *The Taste of War: World War Two and the Battle for Food*, especially chapters 2 (Germany's Quest for Empire) and 3 (Japan's Quest for Empire). London: Allen Lane.
- Dallin, Alexander. 1957. *German Rule in Russia, 1941-1945: A Study of Occupation Policies*. London: Macmillan.

- Kay, Alex J. 2006. *Exploitation, Resettlement, Mass Murder: Political and Economic Planning for German Occupation Policy in the Soviet Union, 1940-1941*. New York: Berghahn Books.
- Klemann, Hein, and Sergei Kudriashov. 2012. *Occupied Economies: An Economic History of Nazi-Occupied Europe, 1939-1945*. London and New York: Berg.
- Lieberman, Peter. 1996. *Does Conquest Pay? The Exploitation of Occupied Industrial Societies*. Princeton: Princeton University Press.
- Tooze, Adam. 2006. *The Wages of Destruction: The Making and the Breaking of the Nazi Economy*. London: Allen Lane.

### **War Mobilization**

- Broadberry, Stephen, and Mark Harrison. 2005. "The Economics of World War I: an Overview." In *The Economics of World War I*, pp. 3-40. Edited by Stephen Broadberry and Mark Harrison. Cambridge: Cambridge University Press. See also country chapters by individual authors.
- Broadberry, Stephen, and Mark Harrison. 2008. "Economics of the Two World Wars." In *The New Palgrave Dictionary of Economics* (second edition). Edited by Stephen Durlauf and Lawrence Blume. Palgrave Macmillan.
- Onorato, Massimiliano G., Kenneth Scheve, and David Stasavage. 2012. "Technology and the Era of the Mass Army." Working Paper 5/2012, IMT Institute for Advanced Studies, Lucca.
- Harrison, Mark. 1998. "The Economics of World War II: An Overview." In *The Economics of World War II: Six Great Powers in International Comparison*, pp. 1-42. Edited by Mark Harrison. Cambridge: Cambridge University Press. See also country chapters by individual authors.
- Harrison, Mark. 2005. "Why Didn't the Soviet Economy Collapse in 1942?" In *A World at Total War: Global Conflict and the Politics of Destruction, 1939-1945*, pp. 137-156. Edited by Roger Chickering, Stig Förster, and Bernd Greiner. Cambridge: Cambridge University Press.
- Strachan, Hew. 2004. *Financing the First World War*, chapter 4 ("The loss of budgetary control"). Oxford: Oxford University Press.

### **Economic Warfare and Food**

- Barber, John, and Harrison, Mark. 1991. *The Soviet Home Front: A Social and Economic History of the USSR in World War II*, chapter 5 ("Subsistence and survival"). London: Longman.
- Baten, Jörg, and Andrea Wagner. 2002. "Autarchy, Market Disintegration, and Health: the Mortality and Nutritional Crisis in Nazi Germany, 1933-1937." *Economics and Human Biology* 1:1, pp. 1-28.
- Collingham, Lizzie. 2010. *The Taste of War: World War Two and the Battle for Food*. London: Allen Lane.
- Davis, Lance E., and Stanley L. Engerman. 2006. *Naval Blockades in Peace and War: An Economic History Since 1750*. Cambridge: Cambridge University Press.
- Hardach, Gerd. 1981. *The First World War, 1914-1918*, chapters 2 ("The Allied Blockade of the Central Powers") and 3 ("Commercial warfare and the U-boat"). Berkeley and Los Angeles: University of California Press.



- Offer, Avner. 1989. *The First World War: an Agrarian Interpretation*. Oxford: Clarendon Press.
- Olson, Mancur. 1963. *The Economics of the Wartime Shortage: A History of British Food Supplies in the Napoleonic War and in World Wars I and II*. Durham, NC: Duke University Press.

### **Alliances and Burden Sharing**

- Burk, Kathleen. 1995. "American Foreign Economic Policy and Lend-Lease." In *The Rise and Fall of the Grand Alliance, 1941-1945*, pp. 43-68. Edited by Ann Lane and Howard Temperley. Basingstoke: Macmillan.
- Conybeare, John A. C., and Todd Sandler. 1990. "The Triple Entente and the Triple Alliance, 1880-1914: a Collective Goods Approach." *American Political Science Review* 84:4, pp. 1197-1206.
- Goldstein, Avery. 1995. "Discounting the Free Ride: Alliances and Security in the Postwar World." *International Organization* 49:1, pp 39-71.
- Harrison, Mark, 1995. "The Soviet Economy and Relations with the United States and Britain, 1941-1945." In *The Rise and Fall of the Grand Alliance, 1941-1945*, pp. 69-89. Ann Lane and Howard Temperley, eds. Basingstoke: Macmillan.
- Olson, Mancur, and Richard Zeckhauser. 1966. "An Economic Theory of Alliances." *Review of Economics and Statistics* 48:3, pp. 266-279.
- Sandler, Todd, and Keith Hartley. 1999. *The Political Economy of NATO: Past, Present and into the 21st Century*. Cambridge: Cambridge University Press.
- Sandler, Todd, and Keith Hartley. 2001. "Economics of Alliances: The Lessons for Collective Action." *Journal of Economic Literature*, 39:4, pp. 869-896.
- Thies, Wallace J. 1987. "Alliances and Collective Goods: A Reappraisal." *Journal of Conflict Resolution* 31:2, pp. 298-332.

### **Costs of War**

- Broadberry, Stephen, and Mark Harrison. 2005. "The Economics of World War I: an Overview." In *The Economics of World War I*, pp. 3-40. Edited by Stephen Broadberry and Mark Harrison. Cambridge: Cambridge University Press. See also country chapter on the United Kingdom by Broadberry and Howlett.
- Edelstein, Michael. 2000. "War and the American Economy in the Twentieth Century." In *The Cambridge Economic History of the United States*. Vol. 3, The Twentieth Century, pp. 329-405. Edited by Stanley L. Engerman and Robert E. Gallman. Cambridge: Cambridge University Press.
- Field, Alexander J. 2008. "The Impact of the Second World War on US Productivity Growth." *Economic History Review* 61:3, pp. 672-694.
- Harrison, Mark. 1998. "The Economics of World War II: An Overview." In *The Economics of World War II: Six Great Powers in International Comparison*, 1-42. Edited by Mark Harrison. Cambridge: Cambridge University Press. See also country chapter on the United Kingdom by Broadberry and Howlett.
- Rockoff, Hugh. 2012. *America's Economic Way of War: War and the US Economy from the Spanish-American War to the Persian Gulf War*. Cambridge, Cambridge University Press.

### **Defence Procurement, or Costs of Peace**

- Eloranta, Jari. 2008. "Rent Seeking and Collusion in the Military Allocation Decisions of Finland, Sweden, and the UK, 1920-1938." *Economic History Review* 62:1, pp. 23-44.
- Harrison, Mark. 2003. "Soviet Industry and the Red Army Under Stalin: A Military-Industrial Complex?" *Les Cahiers du Monde russe* 44:2-3, pp. 323-42.
- Harrison, Mark. Forthcoming. "Capitalism at War." In *The Cambridge History of Capitalism*. Volume 2. *The Spread of Capitalism*. Edited by Jeffrey G. Williamson. Cambridge: Cambridge University Press.
- Higgs, Robert V. 1993. "Private Profit, Public Risk: Institutional Antecedents of the Modern Military Procurement System in the Rearmament Program of 1940-41." In *The Sinews of War: Essays on the Economic History of World War II*. Edited by Geoffrey T. Mills and Hugh Rockoff. Ames, Iowa: Iowa State University Press. Reprinted in Robert V. Higgs. 2006. *Depression, War, and Cold War: Studies in Political Economy*. New York: Oxford University Press.
- Higgs, Robert V. 1994. "The Cold War Economy: Opportunity Costs, Ideology, and the Politics of Crisis." *Explorations in Economic History* 31:3, 283-312. Reprinted in Robert V. Higgs. 2006. *Depression, War, and Cold War: Studies in Political Economy*. New York: Oxford University Press.
- Poast, Paul. 2006. *The Economics of War*, Chapter 5 ("Weapons Procurement"). New York: McGraw Hill/Irwin.
- Rogerson, William P. 1994. "Economic Incentives and the Defense Procurement Process." *Journal of Economic Perspectives* 8:4: 65-90.
- Smith, Ron P. 2009. *Military Economics: the Interaction of Power and Money*, chapters 5 ("Force acquisition I, demand: The biggest bang for a buck?") and 6 ("Force acquisition II, supply: merchants of death?"). Basingstoke: Palgrave Macmillan.
- Wilson, Mark, and Jari Eloranta. 2010. "Thwarting the 'Merchants of Death' Accusation: The Political Economy of Military Procurement in Industrial Democracies before the Second World War." *Essays in Economic and Business History* 28, pp. 91-106.

### **Military Keynesianism**

- Field, Alexander J. 2008. "The Impact of the Second World War on US Productivity Growth." *Economic History Review* 61:3, pp. 672-694.
- Higgs, Robert V. 1992. "Wartime Prosperity? A Reassessment of the U.S. Economy in the 1940s." *Journal of Economic History* 52:1, pp 41-60.
- Overy, Richard J. 1994. *War and Economy in the Third Reich*, chapter 4 ("Cars, Roads, and Economic Recovery"). Oxford: Clarendon.
- Ritschl, Albrecht. 2002. "Deficit Spending in the Nazi Recovery, 1933-1938: A Critical Reassessment." *Journal of the Japanese and International Economies* 16:4, 559-582.
- Smith, Ron P. 1977. "Military Expenditure and Capitalism." *Cambridge Journal of Economics* 1:1, pp. 61-76.
- Smith, Ron P. 2009. *Military Economics: the Interaction of Power and Money*, chapter 4 ("Military spending: How much is enough?"). Basingstoke: Palgrave Macmillan.