International economic history from 1750 to the present

Course level: Bachelor degree in business administration.

Learning Outcomes:

Student following this course will attain:

- Knowledge and understanding of international economic developments over the past 250 years.
- Ability to explain the differences and similarities between different periods, on the basis of economic variables.
- Ability to demonstrate practical and historical application of economic theories learned in other courses.
- Mastery of relevant professional tools, techniques and forms of expression.
- Ability to convey key subject matter in written and oral form.

Content:

The course's main theme will be the development of the world economy, with emphasis on international flows of goods, labor and capital, and the factors behind this trend, such as the emergence of a modern production system and the establishment of national and international institutions. The course examines three periods with a focus on economic development and international integration. Differences and similarities between the various periods are assessed on the basis of numerous economic variables.

Topics include:

Part I: The emergence of an international economy in the period before 1914:

- Growth in international trade, migration and investment, as well as the creation of an international currency system
- Developments in some key countries, primarily the United Kingdom, USA and Germany

Part II: Breakdown of International Relations, 1914-1945

- The First World War as a turning point in economic development.
- The causes and spread of the Great Depression.
- Sources of recovery.

Part III: Integration in the postwar period:
- Attempts to secure a well-functioning global economy through the creation of new institutions

- The “Golden Age” (1950-1973) in Western Europe and Japan

- Developments since 1973, including the reasons for slower economic growth in Western Europe and Japan

- Growth experience in developing countries

Teaching:

The focal point each week will be a 90-minute class discussion, in which all students are expected to fully participate in every class. Students are encouraged to work in small groups to prepare for each class. In advance of each meeting, every group member should read the case and (at least) one of the supplementary items on the reading list; the working group should then meet to discuss the assignment questions in light of the readings. In this way, all – or most – of the reading materials assigned each week will be covered by every group. We will examine the assignment questions in our class discussion.

Assessment:

Written examination of three hours. Student must choose three essay questions from a list of ten on the examination paper. All answers must be written in English.

Grading scale A - F.

To be eligible to take the exam, students must pass a class participation threshold (where “participating” means actively contributing to the discussion, not merely attending the class).
International economic history from 1750 to the present

Instructor: Professor Liam Brunt

2018 COURSE AGENDA

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Session 1. Introduction and overview.

There is no work assigned for the first session of this course! If you are interested in taking the course, then please come along to the first session and I will outline the course content and how it will be taught. It is a case-based course – so a little different to what most students are used to – and therefore the introduction will give you a lot of new and useful information for the rest of the semester.
Session 2. The First Industrial Revolution.

1. What were the roles of technology, capital, labour and energy in the first industrial revolution?

2. What social and cultural changes were bound up with the economic transformation?

3. Were people better or worse off during and immediately after industrialization? How can we know?

Basic reading.

Wikipedia, “Industrial_Revolution”. In the absence of a suitable HBS case, this article at least lists the key elements of the British industrial revolution and gives us a starting point for discussion. We will highlight a number of key factors to which we will return in the following weeks. Available at https://en.wikipedia.org/wiki/Industrial_Revolution

More advanced reading.


1. What was the “gold standard”? What was its purpose? How did it come to exist?

2. How did the gold standard function?

3. What were the costs and benefits of the gold standard in the late nineteenth century?

4. Did all countries benefit equally from being on the gold standard?

5. Should Britain have gone back to the gold standard after 1918? At what parity?

Basic reading.


More advanced reading.


European Central Bank, “Cartoon on price stability for schools”. This is the classic argument for maintaining a gold standard in 1918 – as put out by the ECB in 2018. I didn’t know whether to laugh or cry – enjoy! (8 minutes only.) Available at: https://www.ecb.europa.eu/ecb/educational/pricestab/html/index.en.html


Session 4. US industrialization.

1. What was the role of tariffs in US industrialization? How do you square this with the Hecksher-Ohlin model?

2. What was the role of natural resources in US industrialization? Does this with fit with the typical view of US economic strengths?

3. What was the role of technology in US industrialization? What were the sources of technology in US industrialization? Why do you think those sources were available there and not elsewhere (Italy, Russia, Japan...)?

4. What was the role of institutional arrangements in US industrialization? Give some examples and explain how they solved practical problems.

Basic reading.


More advanced reading.


Södersten, Bo, International economics (Palgrave, 1970). NHH library barcode: 75h009413. Read about the Hecksher-Ohlin model of international trade. There also seems to be an updated 1994 edition of this book, which is probably equally good. Any decent textbook on international economics should have a chapter on the Hecksher-Ohlin model – which has nice graphs

Session 5. German industrialization.

1. What was the role of tariffs in German industrialization? How do you square this with the Hecksher-Ohlin model?

2. What was the role of natural resources in German industrialization? Does this fit with the typical view of German economic strengths?

3. What was the role of technology in German industrialization? What were the sources of technology in German industrialization? Why do you think those sources were available there and not elsewhere (Italy, Russia, Japan...)?

4. What was the role of institutional arrangements in German industrialization? Give some examples and explain how they solved practical problems.

Basic reading.

Jones, Geofrey, and Bjoern von Siemens, "Werner von Siemens and the electric telegraph", HBS publishing, 9-811-004 (September 12, 2013).

More advanced reading.


Fremdling, Rainer, “Railroads and German economic growth: a leading sector analysis with a comparison to the United States and Great Britain”, *Journal of Economic History*, vol. 37, no. 3 (1977), 583-604.
Session 6. The first globalization.

1. What is “globalization”?

2. What was the nature of globalization in the late nineteenth century?

3. What were the causes of globalization in the late nineteenth century?

4. Was globalization good or bad? For whom?

5. What is “convergence”? What is the difference between sigma convergence and beta convergence? How can you have one without the other? Did globalization generate “convergence”?

Basic reading.


More advanced reading.


Session 7. The post-World War 1 settlement.

1. What were the objectives of the victorious allies when they drafted the Treaty of Versailles? Were they sensible?

2. What economic conditions would have to hold in order to make reparations a feasible plan?

3. What was the likely economic and political impact of allowing the “self-determination of peoples”?

4. Why did Germany spiral into hyperinflation? Who was to blame? Why?

Basic reading.


N.B. This case is available only as a paper copy – owing to copyright restrictions – so you will get it directly from Professor Brunt. But be sure to ask for it in the preceding class!

More advanced reading.


Session 8. The Roaring 20s.

1. Which countries enjoyed a “roaring 20s”? Why? Was it sustainable?
2. Which countries suffered a whimpering 20s? Why? Was it avoidable?
3. To what extent did the boom of the 1920s sow the seeds of the slump of the 1930s?

Basic reading.

Nicholas, Tom, “Trouble with a bubble”, HBS publishing, 9-808-067 (December 8, 2010).

More advanced reading.


Session 9. The Great Depression.

1. When, how and why did the 1929 crash develop into the Great Depression?

2. How bad was the Great Depression? Which countries suffered most?

3. What was the political impact of the Great Depression?

Basic reading.


More advanced reading.


Session 10. The recovery.

1. What was novel about the Swedish proposal to avoid an economic depression? Contrast it with the traditional, orthodox view of macroeconomic policy. (Hint: you could usefully sketch the situation with an ISLM diagram.)

2. Why might one suppose that the Swedish strategy would be more effective?

3. How did other countries generate a recovery? Which were most successful?

4. What was the role of tariffs, and of leaving the gold standard?

Basic reading.


More advanced reading.


Levacic, Rosalind, and Alexander Rebmann, (1982), Macroeconomics: an introduction to Keynesian-neoclassical controversies, chapter on the liquidity trap. NHH library call number NHHB, C 42629. The ISLM diagram was invented to analyze the Great Depression; so any decent discussion of the ISLM diagram (i.e. one from another macroeconomics textbook) will give you a framework to think about macroeconomic policy tools in the 1930s.


**Session 11. Postwar reconstruction.**

1. Why were so many new international institutions founded after World War 2? Which were the most important?

2. What was the role of the IMF under Bretton Woods? Was it successful?

3. What was the role of the IMF in the 1980s? And from the 1990s onwards? Has the IMF been a force for good? If so, then how? If not, then why not?

4. How is the IMF structured? Does the IMF need reform? If so, then in what way(s)?

5. To what extent were the international institutions responsible for faster economic growth after World War 2?

**Basic reading.**


**More advanced reading.**

Barro, Robert J., and Jong-Wah Lee, “IMF programs: who is chosen and what are the effects?”, *Journal of Monetary Economics*, vol. 52, no. 5 (2005), 1245-69.


Session 12. The oil crisis.

1. What caused the first oil crisis?

2. What is the “Philips curve”? What is “stagflation”? The 1950s and 1960s were characterized by the Philips curve, and the 1970s by stagflation. How did the oil crisis create this “paradigm shift”? (Hint: you may want to draw an Aggregate Demand-Aggregate Supply diagram.)

3. Why did the IMF propose a coordinated international strategy to combat the first oil shock? Why did it not work?

4. The oil shock redistributed income from oil consumers to oil producers – from rich countries to poor countries. Is that a problem? If so, then why?

5. Was the oil shock good for the environment? If so, then should we not welcome it?

Basic reading.


More advanced reading.


Gärtner, Manfred, Macroeconomics, chapters 6 and 7 on the AS-AD model. NHH library call number NHHB, 330.101.541 F99m/4.utg. Any decent macroeconomics textbook will have a discussion of the AS-AD model, which will give you a framework to think about macroeconomic policy choices in the 1970s.


Teen Titans Go!, “Leprechaun madness”, Cartoon Network. Available at: https://www.youtube.com/watch?v=W6EwgR-wmnY
Session 13. Developing countries.

1. How important has FDI been in generating growth in developing countries? What are the advantages and disadvantages of FDI to the receiver (the country) and the sender (the firm)? Is FDI a sustainable strategy?

2. Without FDI, how can developing countries close the gap on developed countries?

3. How is the Brazilian legal system a brake on growth? What can be done about it?

Basic reading.


More advanced reading.


1. Think about which topics on the course you want to revise for the exam. Given that you have to answer three questions, I suggest that three is a minimum and six is a maximum.

2. Look at the papers from previous years that I posted on the course platform. Choose two or three questions that you would like me to go through in class.

3. We will sketch essay plans for the two or three most popular questions. This will give you a good idea of what kind of things I am looking for in a good exam answer, and how you can harness the material that you have learned to best effect.

4. I will also give some general comments on how to write a good exam.
2018 final examination in

*International economic history from 1750 to the present.*

You have **3 HOURS** to complete this examination.

You should be sure to answer **3 QUESTIONS** (and **ONLY** 3 questions) from the list below. Try to give a full answer to each of the three questions that you choose.

Please submit your plan for each essay along with your answers.

You are free to use a language dictionary to clarify any questions and help you with your answers.

For each answer, you should illustrate your arguments with reference to the growth experience of several countries that we have studied (in addition to any other evidence that you put forward). As far as possible, please cite any supporting evidence in the usual economics style – for example, (Voth, 2007).

1. Why did countries adopt a gold standard for their currency? What were the costs and benefits? Would the Eurozone have functioned better if its members had adopted a gold standard instead? What historical and/or modern episodes lead you to this conclusion?

2. In what senses did the world economy become “globalized” in the late nineteenth century? What do you consider to be the most important drivers of globalization – migration, capital accumulation, technological change, government policy, or something else?

3. Was US and German industrialization qualitatively different to that of England? Did this have any implications for long run economic performance? Could the English economy have grown as fast as that of the US and Germany in the twentieth century? Why do you take this view?

4. Did the world economy change qualitatively/fundamentally after World War 1? If so, then in what ways? How would these changes either promote or inhibit economic growth? How would you have recommended policymakers and businessmen adapt to them? Why?
5. What caused the Great Depression? Was it the same in all countries? To what extent do you consider it to be a “real” versus a “monetary” phenomenon? You may adduce quantitative, qualitative and/or theoretical evidence in making your case.

6. What were the main drivers of economic recovery after the Great Depression? How important was private versus public economic activity? How important was local or central government policy? Why do you say so?

7. Who caused the German hyperinflation of 1923? Was it deliberate? If so, was it a wise strategy? Was it justified? Was it successful? Please support your argument with evidence from cases and papers that you have read.

8. What caused the oil shock of 1974? Why was it a problem? Why did contemporaries think it might be a problem? Who were the winners and losers from the oil shock? Where possible, use theory and data to help make your points.

9. How have low income countries successfully developed since 1945? Illustrate your answer with examples, such as Brazil. How has their development been similar, or dissimilar, to countries that developed earlier? What has been the role of government intervention, technology, trade or any other factors that you consider to be important?