

American Economic History: Race, Religion and the Constitution in Global Perspective

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Chapter 1: Eurasia

1.A Why Did China Fail to Colonize New World?

Text: *Big question: Why Europe, Not China?*

Zheng He's voyages in the 15th century: why were they aborted? (1) Pressure from the north and the Central Eurasian steppes: eventual success of Mongolian invasions; (2) China's internal markets large; (3) Tribute trade system and Chinese claims to be the Central Kingdom; (4) Chinese religions different from European religions; (5) Pacific Ocean much harder to navigate than the Atlantic Ocean.

Boxes: *(1) China's Confucian system of government; (2) Zheng He's voyages: Good will, Desire for trade, or Imperialistic Design? (3) Japanese pirates in Chinese waters; (4) The tribute trade system: diplomacy or trade? (4) What would the New World have looked like had China colonized it?*

1.B Why Europe? Political Fragmentation; Search for Markets; Religious Agenda; Merchant Capitalism

Text: *Eastern and Western cores compared, China versus Europe; Collapse of the Roman Empire; European political and military fragmentation and feudalism; European pendulum swings during the Medieval Period – secular versus religious authority; Diffusion of technological advances across Eurasian landmass; Geographic factors.*

Boxes: *(1) The collapse of the Roman Empire: Why? Was it due to the spread of Christianity? Internal warfare; "Barbarian" invasions from Central Asia; (2) The Holy Roman Empire; (3) The Rise of Islam and the Crusades; (4) The Mongol Invasions; (5) Gunpowder, guns and cannons; (6) The emergence of monarchical states evidenced the by first Hundred Years War - France and Britain; (7) The Reformation and the religious wars of the 16th century; (8) The Netherlands secures independence from Spanish rule; (9) Russia and China: Bringing the Central Eurasian steppe frontiers under state control; (10) Guilds, patents, and prizes; (11) Primogeniture.*

Chapter 1: Issues for Debate

- 1.1** *Is territorial acquisition of unincorporated territories is an appropriate way to conduct state building? Are their viable alternatives?*
- 1.2** *Would the history of the Americas have been fundamentally different if China had colonized the region before the Europeans arrived?*
- 1.3** *Is population size automatically a determinant of technological innovation (I.e.: more people, more geniuses)?*
- 1.4** *European fragmentation was all about power, not ideas.*
- 1.5** *Barriers to trade imposed by European political entities discouraged trade within Europe while promoting the search for trade with non-European states like India and China.*
- 1.6** *The European global expansion of global trade was an engine for trade creation, not an engine of trade diversion harming the commercial interests of China, India and the Muslim world.*
- 1.7** *For most human history warfare and trade have mutually reinforced each other.*

Chapter 2: Mercantilism

2.A Mercantilism Emergent: The Impact of the Crusades

Text: *European contact with the Islamic world during the Crusades fosters the transmission of merchant capitalism to Western Europe; bill of exchange and banking expand their roles in European credit creation partly due to secular law courts and competition between secular jurisdictions; patents and prizes proliferate.*

Venice versus Genoa: the emergence of mercantilism in the late Medieval Period; Impact of Islamic commerce. Fall of Constantinople to the Ottoman Turks and the final withdrawing of Islamic rule from Iberia – the shift away from the Eastern Mediterranean toward the Atlantic Ocean; Portugal and Spain push outward, Portugal along the coast of Africa towards the Indian Ocean; Spain onto the Atlantic; Discovery of the New World and early colonization of the Americas; Pacific Ocean trade in silver

Boxes: *(1) Machiavelli on Italy's political problems – the problem mercenary warfare creates; (2) Warfare on the seas: Venice versus Genoa; (3) the Medici Bank and Jacob Fugger; (4) Technological progress in Europe: printing; gunpowder; clocks; (4) Solving the problem of longitude in oceanic navigation; (5) Why was it relatively easy for small*

*Spanish conquering armies to defeat the Aztecs, the Mayans and the Incas? (6)
Wampum, specie, and Gresham's Law;*

2.B Mercantilism as a Rent-Seeking System

Mercantilism as a state building enterprise stimulating science, encouraging growth of technological capitalism, global outreach, importance of penetration into Asian waters

Subsidiary issues: military power equation related to mercantilism; Zero-sum theory of trade, trade diversion trumping trade creation; growth of states and the gradual transition to nation-states; Protestantism versus Catholicism; The Thirty Years War, the Peace of Westphalia and the balance of power;

Boxes: (1) Mercantilist policies in England and France compared; (2) Raising funds for the voyages of the Dutch VOC; (3) Anglo-Dutch warfare and the promulgation of The English Navigation Acts; (4) Promoting technological advance in the interests of state power: Francis Bacon; (5) "Statute of Artificers and Apprentices."

2.C Adam Smith's Critique of Mercantilism: Seeds of the Theory of Comparative Advantage

The English and Scottish enlightenments; The Glorious Revolution in England; Hobbes, Locke, Hume; Newton explains Kepler's Laws; Newton versus Descartes;

Boxes: (1) The impact of Newton's theories on English philosophy: altruistic behavior of autonomous individuals imitates the invisible action of gravitational attraction over an empty distance; (2) "The Wealth of Nations"; (3) Classical liberalism and the "night watchman" state.

Chapter 2: Issues for debate

- 2.1** *Does rent-seeking always reduce economic activity?*
- 2.2** *Does the theory of comparative advantage automatically imply countries should practice free unfettered trade?*
- 2.3** *Is classical liberalism separable from Protestantism and Puritanism?*
- 2.4** *Rent-seeking carried at local levels – towns and cities for instance - is more injurious to economic activity than rent-seeking carried on the level of states.*
- 2.5** *The real reason why European princes and kings embraced the Protestant Reformation was the desire of rulers to secure Catholic Church property.*

- 2.6 *Protestantism favored the interests of merchant by doing away with restrictions of usury.*
- 2.7 *The doctrine of the divine right of kings ruled out democracy as a vehicle for formulating policy.*

Chapter 3: The Slave Trade and the Populating of North America

3.A Slavery and Trans-Atlantic Trade

Text: *Big idea: why slavery? How important was it in populating the New World? Why not enslave the native peoples? Impact of European diseases upon Native American populations decimating many local populations;*

Subsidiary issues: Slavery in the ancient world; Growth of serfdom and its gradual demise in Western Europe; Eastern African slave trade in Islamic areas; Mongolian conquests and the spread of plague impacts serfdom in Western Europe;

Boxes: *(1) Population estimates for the American colonies; (2) Competition over the right to carry on the slave trade by the major European powers; (3) Roman Empire slavery compared to North American slavery – why were the institutions different; (4) Racism and slavery: was the experience of the Caribbean islands different from that on the American landmass? (5) Triangular trade and the slave trade as the Middle Passage. (5) Indentured servants and transported criminals.*

3.B English Abolition of Slavery, Attempting to Ban the Slave Trade on the Seas

Text: *Methodist and Evangelical movements in England and the First Great Awakening in the New World; Adam Smith's critique of slavery – free unfettered labor market contracts should prevail over coercion in producing goods and services; English legislation and the actions taken to stop the slave trade on the Atlantic Ocean*

Boxes: *(1) Wilberforce as a leader of the anti-slavery movement; (2) "Amazing Grace": why songs play an important role in politics; (3) Catholic and Protestant views on slavery; (3) Why the American Revolution helped the British Abolitionist cause; (4) What impact did the French Revolution have on New World slavery? (4) "Poor Richard's Almanack": Benjamin Franklin promotes a secular version of Puritanism.*

Chapter 3: Issues for debate

- 3.1 *Would the populating of the Americas have been fundamentally different had indentured contracts not been used to bring immigrants to the New World from Europe?*
- 3.2 *Is racism an automatic concomitant of slavery?*

- 3.3 *The slave trade went on for centuries due to the high mortality rates suffered by slave populations in the New World.*
- 3.4 *Britain's abandonment of slavery was directly linked to the spread of the factory movement there, British factory owners believing slaves would not make good industrial workers.*
- 3.5 *Rapid growth in the demand for slaves on New World plantations coupled with high slave mortality in the New World explain why the slave trade flourished for centuries. The reason is simple: it was cheaper to ship slaves than indentured servants because slaves could be densely packed on slaving ships, chained to the floors of ships in clusters.*
- 3.6 *The Atlantic slave trade would not have existed had peace prevailed amongst African kingdoms and tribes.*

Chapter 4: The Enlightenment, the American Revolution, and the Constitution

4.A The European Legacy was Crucial to the Creation of the United States

Big idea: Ideas and material interests led to the American Revolution, shaping the Constitution in its aftermath; European origins for American institutional innovations crucial (particularly British, Dutch, and French)

Moderate, Radical and Counter-Enlightenment; pendulum swing problem; Seven Years War and Defeat of French by British; Quebec Act; Colonies oppose mercantilism, Quebec Act, and British policies designed to defray costs of holding North America; American Revolution and French assistance; Radicalism and Classical Liberalism (individualism); Constitution compromises and checks and balances as a device of slowing the pendulum swing; the importance of the patent system and the postal system, common law and constitutional law as parallel systems

Boxes: (1) The Seven Years War as a global conflict; (2) Interstate Commerce Clause; (3) The Bill of Rights; (4) Is the intent of the writers of the Constitution clear? The Second Amendment contested. (4) Land ordinances of 1785 and 1787.

4.B Slaves and Indians: Separate Nations within the United States Nation-State?

Treatment of slavery in the Constitution: The notion of separate nations for slaves and Indians; Establishment of the Mason-Dixon Line dividing the United States into two separate groups; the overlap of the state's rights clauses in the Constitution and the perpetuation of slavery in the American south

Boxes: (1) Establishing African state of Liberia; (2) Why was the American South less inventive than the North and the West? (3) How were the compromises over admission

of new states to the Union managed? The importance of the Corn Belt; (4) Exploiting sexually slave women: was it a valuable aspect of slave ownership? How prevalent was it? (5) The Second Awakening.

4.C Jeffersonians versus Federalists

The establishment of opposing parties in American politics; the pendulum swing in early American politics; Jacksonian democracy remakes the American political scene.

Boxes: (1) The war of 1812; (2) Jefferson: What were his views on slavery? (3) Jackson: what were his views on slaves and Indians? (4) How important were European views on slavery to American opponents of slavery? (5) What did Darwin and early American Darwinists think about racial differences? (6) Herbert Spencer and Libertarianism: how important was it in promoting a social Darwinist perspective in the United States; (7) The Second Bank of the United States: why was Jackson opposed to its re-chartering?; (8) The Trail of Tears: driving the Indian tribes westward.

Chapter 4: Issues for debate

- 4.1** Was competition between the states encouraged in the Constitution?
- 4.2** Was the Second Amendment to the Constitution granting the rights of militias to arm themselves inseparable from the guarantee of the right to own slaves in certain states of the Union?
- 4.3** Was slavery consistent with utilitarianism? What about with Libertarianism?
- 4.4** From an economic point of view Great Britain was better off losing the thirteen colonies that formed the United States.
- 4.5** Jefferson was typical of the founders of the United States in believing slaves were not created equal to non-slaves.
- 4.6** The writers of the Constitution looked forward when they opened the door to amending the document.

Chapter 5: The First Industrial Revolution

5.A What was the Nature of the First Industrial Revolution in England?

Text: Shift from organic to inorganic economy transforms economic development; Technological capitalism emerges: precision instruments and pendulum swing in science; From clocks to steam engines; Import substitution and demand for raw cotton in

England; Spread of cotton production in the United States; interpretation of industrial revolution in terms of augmented production function.

Boxes: (1) Materialistic versus idealist theories of the first industrial revolution; (2) Newcomen and Watt steam engines; (3) Watt's experiments with steam engines and the First Law of Thermodynamics; (4) Cort's innovations in iron and steel manufacturing: why were they crucial to driving down the costs of manufacturing machines; (5) Precision machinery: lathes, boring machines, and measuring devices play a major role in the first industrial revolution.

5.B The First Industrial Revolution in England Stimulates the Expansion of Cotton Production and Slavery in the American South

Text: *The rapidly growing textile industry in England stimulates demand for American cotton.*

Boxes: (1) Classic liberalism and the rise of Manchester School doctrine; (2) Parliamentary reform in England; (3) American plantation financing and English capital markets; (4) Ned Ludd; (5) "The Lowell Offering: Mill girls in Lowell and Osaka compared; (5) Whitney's cotton gin facilitates the spread of cotton growing and slavery in the American South.

5.C The Emergence of an American Cotton Textile Industry in the North

Text: *Early American cotton textile industry in Massachusetts and New Hampshire; importance of female labor to the industry; ring spinning versus mule spinning: why did the United States industry have a bias towards ring spinning?*

Boxes: (1) Samuel Slater; (2) Recruiting British artisans and mechanics; (3) Was infant industry protectionism the main rationale for imposing a relatively high American tariff? (4) The emergence of the German Zollverein and infant industry protectionism in the Europe: how important was the American example? (5) Frederick List visits the United States; (6) Panic of 1837: was it a classic bubble? (7) Gold points and the exchange rate: the United States adjusts to the growing importance of gold in backing Britain's currency.

Chapter 5: Issues for debate

- 5.1** *Was scientific advance irrelevant to the First Industrial Revolution?*
- 5.2** *Had slavery not disappeared in England would the evolution of the factory system have been different?*
- 5.3** *Was a tariff essential to the development of manufacturing in the United States?*
- 5.4** *The First Industrial Revolution was the first step on the road to global warming.*

5.5 Had the United States adhered to comparative advantage it would never have industrialized.

Chapter 6 The American System of Manufactures, the Mechanization of American Agriculture, and the Railroads

6.A The American System of Manufactures: Democratization of Invention or Adjustment to Factor Proportions?

Text: Big idea: “democratization of invention” versus “factor supply/relative factor prices” interpretations of American system of manufactures and early mechanization of American agriculture

Crucial role of frontier in 19th century; Crystal Palace Exhibition; backward bending labor supply curve; wages relative to land prices throughout the 19th century; augmentation of land and relative level of land prices; the American System of Manufactures as a general purpose technology and the origins of mass production techniques in American industry

Boxes: (1) The Crystal Palace Exhibition in London: the role of Free Trade ideology; why did the United States exhibitions create a splash among the visitors? (2) The Turner Thesis: how important was the American frontier for American democracy and the failure of a powerful labor movement to emerge in the United States (as opposed to England or Germany)? (3) Using an augmented production function to analyze trends in the ratio of land rents to wages; (4) Interchangeable parts and Colt’s six shooters; (5) The Mormons move west.

6.B Infrastructure: American Railroads

Text: The pre-Civil War railroad industry develops in the United States – comparisons with England in terms of gauge of track and innovations; the role of the American railroads in stimulating innovations in corporate structure before and after the Civil War; the debate over the importance of railroads in American economic development: Schumpeter, Rostow, Fishlow, Fogel, and recent contributions.

Boxes: (1) Schumpeter’s theory of capitalism illustrated; (2) Long swings: the research of Simon Kuznets and Brinley Thomas illustrated; (3) Rostow’s leading sector thesis: Why it was influenced by the Cold War; (4) Externalities impact costs and benefits at both the level of individual investors and society as a whole; (5) The Erie Canal; (6) Trestles; (7) The Army Corp of Engineers; (8) Why the railroads tell us a lot about the dynamics of infrastructure construction in a market economy: comparisons with electricity distribution and the Internet; (9) Germany and Japan nationalize their steam railroad networks.

Chapter 6: Issues for debate

- 6.1 *Did investment in railroads prior to the Civil War deter the spread of American population to the West?*
- 6.2 *Why are factor proportions arguments so popular in neo-classical economics?*
- 6.3 *Is government regulation essential for large scale infrastructure investment? For instance If left wholly in the hands of private companies would the railroad network in the United States have evolved exactly as it did?*
- 6.4 *Southern dependence on shipping cotton from ports on rivers and the coastline was the main reason the South failed to invest in railroads as aggressively as the North did.*

Chapter 7: The Political Economy of American Slavery

7.A Slavery was an Economically Viable System in the United States

Big idea: economic theory and empirical analysis suggests slavery was an economically viable system in America; it was capitalistic although traces of feudalism ran through it notably in the form of sexual exploitation;

Marxist thesis concerning slavery as feudalist holdover; capital theory; Fogel and Engerman thesis in Time on the Cross; implications for the abolition of slavery: would economic change in and of itself have led to the abolition of slavery?

Boxes: (1) *The logic of capital markets: the changing prices of sustenance for slaves and physical productivity of labor explain why slave prices were rising even as cotton prices were falling;* (2) *Northern US and British textile manufactures both benefitted from slavery;* (3) *Alternative (non-American) sources for cotton were being explored even before the outbreak of the Civil War;* (4) *Wars with Mexico leading to acquisition of rich soil lands in the West that could be potentially put into cotton production or some other form of slave-gang agriculture meant slavery could continue to prosper in the United States for many decades;* (5) *Manifest Destiny shaped American expansionism to the west;* (6) *Doing away with slavery in Latin America: why was it achieved without civil war?;* (6) *The abolition of serfdom in Russia compared to abolition of slavery;* (7) *Japan abolishes feudalism, government buying out the obligation to provide income to former samurai warriors with bonds.*

7.B The Political Pendulum Swing in the United States Was in Full Sway During the 1850s

Lacking consensus political fragmentation widened during the decade of the 1850s once the Compromise of 1850 had been worked out. Political options on the table for settling

the slavery question proliferated: sending freed slaves to Liberia; buy outs of slave owners through various forms of compensation; continuing down the road of political compromise through political trade-offs; the Constitutional right to extend slavery everywhere in the United States delivered in the Dred Scott decision of the Supreme Court; bleeding Kansas; the election of Lincoln as a minority president.

Boxes: (1) *The impact of immigration on the ration of persons living in slave and non-slave states;* (2) *The Dred Scott decision;* (3) *Maryland contemplates buy-outs of slave owners.*

Chapter 7: Issues for debate

- 7.1** *Did the Constitution serve as a stumbling block to the voluntary buyout of slave holding in the United States?*
- 7.2** *Are historians correct in arguing more was stake in the South's defense of slavery than the fact it appears slave labor could be efficiently employed in cotton, sugar and tobacco production?*
- 7.3** *The fact that the Supreme Court issued the Dred Scott decision demonstrates the Court's adherence to the principle that it should rule in a way consistent with the views of the writers of the Constitution.*
- 7.4** *The fact that Lincoln did not run on a platform of emancipating slaves shows he was a hypocrite.*
- 7.5** *It was rational for slave owners to underestimate in the health and physical well being of slave children before they reached the age of six or seven when they could work in the fields.*
- 7.6** *Economic rationality has nothing to do with ethics.*

Chapter 8: The Political Economy of the Civil War

8.A The Heterogeneity of Preferences

Text: *The heterogeneity of political preferences matters; along with the logic of the military power equation and the possibility of European intervention the heterogeneity of political preferences shaped the Civil War and its aftermath*

The heterogeneity of political preferences; various issues dividing the North and the South; the political pendulum swing and the response to the Dred Scott decision;

Boxes: (1) *The "first-past-the-post" system of voting versus proportional representation;* (2) *Why did some abolitionists favor the exit of the southern state from the union?* (3)

Harper's Ferry; (4) Homestead Act; (5) "The Battle Hymn of the Republic" and invoking John Brown in song.

8.B *The International Dimension of the Civil War: Keeping Great Britain from Recognizing the Confederacy, Strangling the Union Anaconda*

Industrial warfare and technological advances during the Civil War; Great Britain's demand for cotton and the possibility of British intervention in the Civil War; Union and Confederate strategies – the crucial importance of the naval blockade of Confederate ports

Boxes: (1) Lincoln's Emancipation Proclamation: why were slave states remaining in the Union exempted from abolishing slavery? (2) Why were Irish immigrants to the North eager to join the Union armies?

8.C *The First Industrial War*

Technological progress in the United States and the declining costs of exerting military force; the precursor to the Gatling gun developed; plentiful railroads in the North were a factor in Union victory; Industrial warfare favors wars of attrition; Big battles were still decisive but the conflict was a war of attrition to some degree; Northern victories at Gettysburg and Vicksburg in 1863 set the stage for the carving up of the Confederacy; Sherman's March to the Sea guaranteed Lincoln's reelection; Lincoln's assassination and the Great Person theory of history;

Boxes: (1) Causation: necessary and sufficient conditions contrasted; (2) What were the lessons of the American Civil War for Europe? (3) Great Britain and France in Egypt: how important was the lure of developing non-American sources of raw cotton? (4) Iron-clad ships of war; (5) Trench warfare; (6) The military power equation tells us the Confederate cause was farfetched from an economic point of view.

8.D *The Political Pendulum Swing in Motion: The Impeachment of Andrew Johnson, Radical Reconstruction, and the Election of 1877*

Text: *Radical reconstruction and the 13th, 14th and 15th amendments to the Constitution; keeping military forces in the former Confederate states; the Black Laws passed in the South that would have suppressed African-American economic and political advance; breakup of the plantations and the expansion of share cropping in the South; passage of Jim Crow legislation and the influence of eugenics on the attitudes of Northerners, helping to explain the decision of the Supreme Court to sign off on Jim Crow in the 1890s*

Boxes: (1) Debt peonage; (2) Eugenics and statistics: Galton and Fischer; (3) The Supreme Court takes on Plessy versus Ferguson; (4) The influence of Jim Crow on South Africa's practice of apartheid; (5) The rise of the KKK; (6) Tom Watson in Georgia: from

populist rebel to racist; (7) The three wings of the African-American movement: Booker T. Washington, W.E.B. Du Bois, and Marcus Garvey.

Chapter 8: Issues for debate

- 8.1** *Was Lincoln indispensable to the emancipation of slaves in the United States?*
- 8.2** *Had the Confederacy had abolished slavery in 1863 could it have established itself as a new nation-state independent of the United States?*
- 8.3** *Is a “separate but equal” doctrine creating two distinct social groups ever viable in a democracy? What about the caste system in India?*
- 8.4** *Encouraging poor whites resident in the South to believe they were superior to African-Americans was a strategy employed by Southern elites lacking an interest in investing in education for both poor whites and African-Americans.*

Chapter 9: The Second Industrial Revolution

9.A Electricity, Internal Combustion Engines, and Steel

Text: *Growing importance of science especially chemistry and physics. Electricity, the internal combustion engine: transcontinental railroads, telegraph, facsimile, transatlantic cables – declining costs for transporting raw materials. Steel: declining relative costs, implications for oceanic shipping, building construction and railroads. The Emergence of large-scale multi-division firms and professionalization of specialized tasks, growth of American stock market; Spread of technological capitalism: Growth of patent systems in Europe and the United States*

Boxes: *(1) Refrigeration cars; (2) Blister Steel, Bessemer Steel, Open Hearth Steel; (3) The Thomas-Gilchrist process; (5) The Massachusetts Institute of Technology; (6) Cartels and trusts; (7) The Robber Barons; (8) Direct versus Alternating Current; (9) Edison’s laboratories; (10) The FCC and Trust Busting; (11) Mass producing bicycles and sewing machines; (12) The assembly line comes of age at the Ford plants; (13) Scientific management and the revolution wrought by Taylorism; (14) Did efficiency wages reshape American labor markets? (15) The American Federation of Labor; (16) Granger laws and Munn v. Illinois; (17) The Sherman Act.*

9.B A New Household Economy: Health and Education

Germ Theory of Disease, pharmaceuticals (applied chemistry) and public health: urbanization and the mid-century decline in height and weight of young adults. The

public sector grows: battling bovine tuberculosis; the spread of middle schools and higher education; electricity remakes the American household.

Boxes: (1) Credentials; (2) The flush toilet; (3) Sewer systems; (4) The Sears Catalogue; (5) Laudanum for female hysteria; (6) Margaret Sanger's campaign; (7) Anthropometrics, the biological standard of living, and eugenics.

Chapter 9: Issues for debate

- 9.1 *Why did Anti-Trust law first develop in the United States in response to the rise of unions?*
- 9.2 *Are cartels more efficient when they are managed by the government?*
- 9.3 *Is the spread of education sufficient to reduce death rates from infectious diseases?*
- 9.4 *Cartels and monopolies can carry on rent-seeking that would be non-existent if pure unbridled competition took place.*

Chapter 10: Nationalism and Imperialism

10.1 The United States Enters the Ranks of Imperialist Powers

Text: *The United States begins closing its borders, instituting Jim Crow: Eugenics, immigration policy and the Great White Fleet. The spread of nationalistic imperialism: Germany, France and Japan*

Boxes: (1) The Spanish-American War; (2) Quinine; (3) Dismembering Africa: European imperialism on the march; (4) The Chinese Exclusion Act; (5) Franz Boas takes on scientific racism; (6) Hawaii becomes an American territory; (7) Japan defeats China, then Russia; (8) Jim Crow passes a Supreme Court test; (9) Eugenics emerges as a new theory of nationalism in England, the United States, Germany, and Japan.

10.B Hegemonic Struggles, Total War, and the Collapse of the International Economic Order

Text: *British global hegemony and American regional hegemony. The Gold Standard system and the American election of 1898; The Trilemma linking exchange rates, capital mobility and monetary policy; World War I and its implications for capital flows; Collapse of the British Based Gold Standard system; The League of Nations, Communist Russia and the Spread of European Fascism. The United States in the Asia-Pacific: Japan and the Washington system, maintaining the Open Door in China, securing control of Hawaii and the Philippines. The drift toward a second global war: ideological and geopolitical fragmentation*

Boxes: (1) *The Monroe Doctrine*; (2) *Establishing the Federal Reserve System*; (3) *The Income Tax becomes law with the sixteenth amendment to the Constitution*; (4) *The Lever Food Control Act of 1917: Government expands its controls over the economy*; (5) *Imperial Germany approaches Mexico, sends the Bolsheviks to the Finland Station*; (6) *President Wilson at the Peace of Paris*; (7) *Why did the United States Refuse to Join the League of Nations?* (8) *Demanding respect for Japanese nationalism, Japan lobbies for human rights while pressuring China in the East.* (9) *The Washington Conference system for controlling battleship construction*; (10) *The Dawes plan and the importance of American capital exports for the maintenance of European peace during the 1920s*; (11) *Why did the American Great Depression help pave the way for Hitler's Nazi Party takeover of Germany?* (12) *Stalinist Socialism in One Country as State Managed Capitalism.*

Chapter 10: Issues for debate

- 10.1** *Was passage of the sixteenth amendment of the Constitution independent of the fact that the continental United States had run out of frontier land? Was it independent of the growing presence of the United States in world trade? Was it indispensable to the entry of the United States in World War I?*
- 10.2** *Would entry of the United States into the League of Nations have prevented World War II?*
- 10.3** *Was American isolationism a major factor in the rise of Fascism in Europe?*
- 10.4** *Realizing the United States enjoys scale economies because of its huge internal market is the main reason Europeans designed the Common Market that has gradually become the European Union.*
- 10.5** *Isolationism in the United States mimics China's claim to be the "middle kingdom."*

Chapter 11: The Great Depression and the New Deal: A Comparative Approach

11.A Ushering in the Great Depression

Text: *Causes for the Stock Market collapse and the Onset of the Great Depression compared: monetary policy, consumer demand, the drift toward protectionism. How important were brakes on population growth due to the imposition of the National Origins Immigration Law? How important was saturation of markets for consumer durables?*

Boxes: (1) *Consumer credit*; (2) *The Great Migration: African-Americans leave the South in droves*; (3) *Asset market bubbles*; (4) *Congress passes the Smoot-Hawley tariff.*

11.B The New Deal: Viewed in the Mirror of Soviet Communism and European Fascism

Text: Government intervention in the market: the New Deal in the USA, Communism in Russia, and Fascism in Italy compared; How important was World War II for the growth of the American economy? The Great Migration of American-Americans out of the south

Boxes: (1) Progressive policies in the New Deal; (2) New Deal alphabet agencies in agriculture and infrastructure construction; (3) Rural Electrification Administration (4) Social security; (5) Reorganization of the financial sector: banks and stock markets; (6) Aggregate Demand Keynesianism was not important to the New Deal. (7) Roosevelt tries to pack the Supreme Court; (8) The Scopes trial.

Chapter 11: Issues for debate

11.1 The New Deal failed to revitalize capitalism in the United States.

11.2 Benefitting from a Southern political base, the New Deal failed to make advances in racial matters.

11.3 Religion held back technological change in the United States between World War I and World War II.

Chapter 12: Global Warfare and the American War Economy

12.A Shifting Global Alliances

Text: Shifting alliances lead to the collapse of a Germany/Italy/Japan/USSR alliance system and the emergence of the Axis and Allied alliance systems of 1941; the logic of Japan's imperial economic interests and the founding of the Greater East-Asian Co-Prosperity Sphere; the logic of Germany's World War I and World War II imperialistic ambitions compared. Eugenics, race, and attitudes toward religion influence the three anti-Communist nations Germany, Italy and Japan. The Molotov-Ribbentrop Treaty: why geopolitics temporarily trumped ideology; Friction over Japan's rejection of the Open Door and its warfare in China encourages the United States to move the headquarters of its Pacific Fleet to Pearl Harbor and pass the Naval Expansion Bill of 1940; Why Japan attacked the United States at Pearl Harbor.

Boxes: (1) Great Britain stands alone; (2) Lend-lease and the Atlantic Charter; (3) Protecting Japan's puppet state of Manchuko leads to war between Japan's Army and the forces of the Soviet Union; (4) Japan concentrates on defeating China and extending its influence over Southeast Asia.

12.B The War Economy of the United States

The growing importance of mass production and science for military might; Germany and Japan embrace Total War. The United States military buildup in a global context: comparisons with the other major belligerents; the United States pursues an atomic bomb project.

Boxes: (1) *European scientists flee to the United States;* (2) *Why did Germany fail to develop the atomic bomb?* (3) *The Manzanar internment camp in Owens Valley.* (4) *Learning by doing: Rosie the riveter.*

12.C Triumph Ushers in Tragedy

Boxes: (1) *The Battle of Stalingrad;* (2) *The British-American Invasion at Normandy;* (3) *The Yalta conference and unconditional surrender;* (4) *A “rain of ruin” falls on Japan;* (5) *The iron curtain falls dividing Europe.*

Chapter 12: Issues for debate

- 12.1** *The United States pushed Japan into attacking it at Pearl Harbor by opposing its military adventures in China.*
- 12.2** *Diplomacy would have prevented the Russians from toppling governments in Eastern Europe, cementing Communism behind the Iron Curtain.*
- 12.3** *The Soviet Union was being truthful when it claimed its military campaign was the linchpin of Germany’s defeat in World War II.*
- 12.4** *Hitler’s dream was creating a united Europe that would rival the United States from an economic perspective.*

Chapter 13: The Cold War and the Golden Age of Convergence

13.A The United States Embraces Multilateral Institutions

Text: *The division of Europe in the West; China falls to the Communists in the East; Russia as the pivot area of the Eurasian landmass; the Cold War as ideological and geopolitical struggle; Bretton Woods Institutions and the revival of the gold standard - Cold War conflict pressure or American hegemony? American support for multilateral Bretton Woods institutions; Economic growth rates compared: Western Europe, North America and Japan versus the Communist bloc; The growth of world trade under the G.A.T.T.; The economic integration of Europe;*

Boxes: (1) *The Marshall Plan and the International Bank for Reconstruction and Development;* (2) *The Full Employment Act of 1946;* (2) *Containing Eurasian Communism: the Vietnam War and the Creation of Regional Alliance Systems;* (3) *The disappearance*

of European imperialism; (4) The Occupation of Japan: Rewriting Japan's Constitution; (4) The strengthening or weakening of religious fervor during the Cold War: Europe and the United States compared. (5) Managing instability and unemployment: Keynesian Aggregate Demand Management as an alternative to State Managed Capitalism or Communism. (6) The economics of the baby boom and bust.

13.B Social Reform

Equality of Outcome versus Equality of Opportunity: The Civil Rights movement exploits Cold War ideological conflict; The War on Poverty compared to European and Japanese experiences; American immigration policies transformed: the impact of the Cold War.

Boxes: *(1) The three wings of the African-American movement during the Cold War; (2) Urban riots; (3) Civil Rights legislation takes on labor and housing markets; (4) Godless Communism is the enemy; (5) "In God We Trust" appears on the currency of the United States; (6) An African-American cultural legacy: The Blues, Gospel, and Rock n' Roll.*

13.C The Japanese Challenge

Text: *Miracle Growth in Japan; bilateral trade between Japan and the United States; the Nixon Shock and the end of the Bretton Woods gold standard system; Industrial policy in Japan: how important? The revamping of exchange rates: entering a post-US Dollar based Gold Standard era of flexible exchange rates; the Plaza Accord and bilateral US-Japan structural negotiations.*

Boxes: *(1) Japan under the American nuclear umbrella; (2) Did cultural homogeneity benefit Japan and South Korea? (3) Just-in-Time inventory control, kanban, and the spread of robots in the manufacture of automobiles; (4) Japan's Prime Minister touts Japanese homogeneity angering African-Americans; (5) From an inflationary economy benefitting debtors to a non-inflationary economy benefitting lenders.*

Chapter 13: Issues for debate

- 12.1** *Robots are slaves.*
- 12.2** *It is easy for central banks to manage exchange rates.*
- 12.3** *Reviving the gold standard is a viable policy alternative for the United States.*
- 12.4** *International trade prevents monopolies from developing within a country.*

Chapter 14: After the Cold War

14.A A Multi-polar World Emerges

Text: *The collapse of the Soviet Union and the creation of the Russian Federation; The rise of the Chinese economy and its implications for trade and security in the Asia-Pacific region; The spread of religious nationalism and its challenges for international immigration and terrorism; European integration spreads geographically, then comes to a halt – problems with the Euro and internal migration; decline of the share of the United States in world GNP continues.*

Boxes: *(1) Transforming Communism: China and Russia compared; (2) The expansion of NATO: Russian resistance; (3) China and Japan confront each other once again; (4) The contrary geopolitical pulls of Middle East and East Asia global security threats; (5) The proliferation of regional trade agreements and the declining importance of the World Trade Organization; (6) Why are the former “godless” countries of Russia and Poland embracing religion? (7) Neo-liberalism and the Washington Consensus; (8) NAFTA.*

14.B Coping with Productivity Slowdown

Text: *The productivity growth slowdown in Europe, Japan and the United States; The political pendulum swing in the post-Cold War United States: Coming to terms with slow productivity growth: Why the political claims of rapid output growth are fallacious in the advanced industrial countries.*

Boxes: *(1) Boom and Bust; (2) The end of inflation; (3) The collapse of unionization in the United States; (4) De-Industrialization: job loss due to trade versus job loss due to automation? (5) The emergence of inequality as a major political issue: the United States, Europe and Japan compared; (6) Why slow rates of inflation impact the housing market.*

Chapter 14: Issues for debate

- 14.1** *Capitalism is inherently unstable.*
- 14.2** *Voters should completely distrust the promises made by candidates for public office.*
- 14.3** *Comparative advantage explains why regional trade agreements exist.*

Chapter 15: Conclusions

Appendices

A.1 *Estimates of GDP for the World and sub-regions of the World, 0 CE to 2015*

A.2 *The Logic of Productivity Growth: An Augmented Production Function*

A.3 *The Military Power Equation*