

History of Economic Development

Course Overview

Many statements that economists make about the world today are implicitly historical—that is, they are based on (often highly stylized) notions about the past. Such statements are particularly common in the area of economic development, where poor nations are enjoined to follow the path to success that the richest countries already blazed. For such policy recommendations to be valuable, however, the historical notions embedded within them need to be subjected to more explicit scrutiny. This course applies the theoretical tools of economics to the understanding of the processes of economic development around the world since the Industrial Revolution, with a particular focus on the West Europe and the US. Particularly, we will examine the patterns of economic growths across countries and geographic regions as well as the potential factors (or institutions) that may help promote long-term growth.

Course Organization

Instructor: Dr. Se Yan

Email: seyan@gsm.pku.edu.cn

Office: Room 402, Guanghua New Building

Office phone: 6275 7764

Course web: <http://www.seyan.info>

Blackboard system: <http://course.pku.edu.cn>

Office hours: TBA

TA: TBA

Time and Venue: TBA

Course Requirements and Evaluations

Reading

It is critical that you come to class having done the required reading. All required reading is marked with a •, but it is unlikely that we will cover the whole syllabus. Other readings are optional. All readings will be on the class website.

Bi-weekly Assignment

You are required to turn a 1 to 2 page commentary on one of the papers listed for the week (required or optional). Your commentary should be a reaction to the reading and provide evaluation of one of the statements listed at the end of syllabus. Your summary should not exceed 100 words (we can all read the paper), most of your commentary should be analysis, evaluation, and a discussion of 'where to go from here.' The main reason to take courses is to acquire research techniques and research questions. This course is about on the identification of research questions.

Presentation

Students are each expected to give at least one (or two depending on class size) oral presentations. Each of the readings marked with a * on the reading list below will be presented by one student. The student will be responsible for summarizing the argument of the piece (in no more than ten minutes) and for providing a critical assessment of the argument and evidence. This should take about ten minutes well, but the presentation may go a little longer if there is discussion, as we hope there will be.

Final Essay

You are expected to write a prospectus for a research paper that is influenced by your reading in economic history. The paper need not necessarily be on a historical topic. The prospectus should be at least 10 pages in length (double spaced, 12-point font, 1-inch margins). It should describe your research problem, make a case for its analytical significance, briefly survey the relevant literature, pinpoint a body of source material that can be used to explore the problem, and outline your methodological approach.

Suggestions for summarizing and critiquing articles:

Summary

Don't feel that you need to be comprehensive or cover all aspects of the analysis. Just hit the high points. Here are some basic questions to think about as you prepare your summary:

What is the big issue at stake in this paper?

How does the author approach this issue? That is, how does s/he reformulate the problem to make it analytically tractable?

What is the author's argument? What model (explicit or implicit) underpins the paper?

What evidence/data does the author offer in support of his/her arguments. For quantitative papers, what techniques does s/he use to analyze the data.

What are the main results?

What conclusions does the author draw from the results?

Critique

The trick to a successful critique is first to evaluate the author on his/her own terms and then to take a step backward and assess the author's approach. The goal of any critique is to determine where the author has advanced the literature and where there is room to do things better. The best critiques don't ask the author to do the impossible or the impractical, but instead generate ideas about how our understanding of a problem might usefully be advanced.

Taking the author on his/her own terms:

Does the author deliver on his/her promises and accomplish what s/he sets out to do?

Is the paper internally coherent? That is, does its logic "work" within its own framework and set of assumptions?

Does the author interpret his/her results correctly?

Assessing the author's approach:

If the author narrows or changes the question in order to make it analytically tractable, does his/her re-formulation of the problem affect the conclusions we can draw from the study?

Is the model (explicit or implicit) appropriate? Are there better ways to model the problem?

Is the author ignoring data or other evidence relevant to the question?

Are there better ways to analyze the data the author uses?

Can the author's results be explained in other ways? That is, are the findings consistent with alternative hypotheses?

Can you think of additional ways to explore the question or test the various alternative hypotheses?

Reading List

Section 1: Introduction

What is Cliometrics? Why Should We Care?

- Goldin, Claudia. "Cliometrics and the Nobel," *Journal of Economic Perspectives*, 9 (Spring 1995), pp. 191-208.
- Naomi R. Lamoreaux, "Economic History and the Cliometric Revolution," in Anthony Molho and Gordon Wood, eds., *Imagined Histories: American Historians Interpret the Past* (Princeton: Princeton University Press, 1998), pp. 59-84.

- Douglass North, *Structure and Change in Economic History* (New York, 1981), chapters. 1-5.
- Robert M. Solow, "Economic History and Economics," *American Economic Review Papers and Proceedings* 75:2 (May 1985), pp. 328-331

East versus West

- Kenneth Pomeranz, *The Great Divergence: China, Europe and the Making of the Modern World Economy* (Princeton: Princeton University Press, 2000), pp. 31-68.
- R. Bin Wong, *China Transformed: Historical Change and the Limits of European Experience* (Ithaca: Cornell University Press, 1997), pp. 13-52.
- Stephen Broadberry and Bishnupriya Gupta. 2006. "The Early Modern Great Divergence: Wages, Prices and Economic Development in Europe and Asia, 1500-1800," *Economic History Review*, 59: 2-31.

Convergence and Divergence

- Baumol, William. 1986. "Productivity Growth, Convergence, and Welfare: What the Long-Run Data Show," *American Economic Review*, 76: 1072-85.
 - De Long, J. Bradford. 1986. "Productivity Growth, Convergence, and Welfare: Comment [on Baumol]," *American Economic Review*, 78: 1138-59
 - Pritchett, Lant (1997). "Divergence, Big Time," *Journal of Economic Perspectives*. 11(3): 3-17.
 - Alexander Gerschenkron, Economic Backwardness in Historical Perspective, in Alexander. Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge: Harvard University Press, 1962), Ch. 1, pp. 5-30.
- Barro, Robert and Xavier Sala-i-Martin, "Convergence," *Journal of Political Economy*. 100 (Apr. 1992), 223-51.

Favorites of Fortune or Favorites by Design?

- Diamond, Jared. *Guns, Germs, and Steel* (New York 1999), Prologue, Epilogue (pp. 13-32, 405-25). chaps. 4, 5, 6, 10, 11 (pp. 85-113, 176-214).
 - Engerman, Stanley L. and Kenneth L. Sokoloff. 2002. "Factor Endowments, Inequality, and Paths of Development among New World Economies." *Economia*, 41-109.
 - Easterlin, Richard. 1981. "Why Isn't the Whole World Developed?" *Journal of Economic History*, 51, pp. 1-19.
- * Acemoglu, Daron, Simon Johnson, and James A. Robinson. 2002. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution." *Quarterly Journal of Economics*, 117(4): 1231-1294.

Section 2: The Industrial Revolution

The Industrial Revolution: Was There One?

- Joel Mokyr, "The New Economic History and the Industrial Revolution," in Joel Mokyr, ed., *The British Industrial Revolution: An Economic Perspective* (Boulder, 1999).

N.F.R. Crafts and C. Knick Harley, "Output Growth and the Industrial Revolution: A Restatement of the Crafts-Harley View," *Economic History Review*, November 1992.

Gregory Clark, "The Condition of the Working Class in England, 1209-2004," *Journal of Political Economy*, 113 (Dec. 2005): 1307-1340

* Peter Temin, "Two Views of the Industrial Revolution," *Journal of Economic History*, March 1997.

Internal Sources of Change

- Robert Allen, "Agriculture During the Industrial Revolution," in Roderick Floud and Paul Johnson, eds., *The Cambridge Economic History of Modern Britain: Volume I: Industrialization, 1700-1860* (Cambridge, ENG, 2004).

E. A. Wrigley, "The Transition to an Advanced Organic Economy: Half a Millennium of English Agriculture," *Economic History Review*, 59 (Aug. 2006): 435-80.

Philip Hoffman, "Land Rents and Agricultural Productivity: The Paris Basin, 1450-1789," *Journal of Economic History*, December, 1991.

* Gregory Clark, "Commons Sense: Common Property Rights, Efficiency, and Institutional Change", *Journal of Economic History*, March 1998.

The Industrious Revolution

- Jan de Vries, "The Industrial Revolution and the Industrious Revolution," *Journal of Economic History*, 54 (June 1994): 249-70.

* Hans-Joachim Voth, "Time and Work in Eighteenth-Century London," *Journal of Economic History*, 58 (Mar. 1998): 29-58.

External Spurs to Change

- Robert C. Allen, "The British Industrial Revolution in Global Perspective: How Commerce Rather than Science Caused the Industrial Revolution and Modern Economic Growth," unpublished paper (2006).

P. H. H. Vries, "Are Coal and Colonies Really Crucial? Ken Pomeranz and the Great Divergence," *Journal of World History*, 12 (Fall 2001): 407-46.

* Daron Acemoglu, Simon Johnson, and James Robinson, "The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth," *American Economic Review*, 95 (June 2005): 546-79.

Section 3: The Second Industrial Revolution

The Early Rise of The Second Industrial Nation

- Kenneth L. Sokoloff, "Was the Transition from the Artisanal Shop to the Non-mechanized Factory Associated With Gains in Efficiency?" *Explorations in Economic History*, 21 (Oct. 1984): 351-82.

- Kenneth L. Sokoloff and David Dollar, "Agricultural Seasonality and the Organization of Manufacturing During Early Industrialization: The Contrast Between Britain and the United States," *Journal of Economic History*, 57 (June 1997): 288-321.

Kenneth L. Sokoloff, "Productivity Growth in Manufacturing During Early Industrialization: The American Northeast, 1820 to 1860," in Stanley Engerman and Robert Gallman, eds., *Long-Term Factors in American Economic Growth* (Chicago 1986), pp. 679-736.

* Claudia Goldin and Kenneth L. Sokoloff, "Women, Children, and Industrialization in the Early Republic: Evidence from the Manufacturing Censuses," *Journal of Economic History*, 42 (Dec. 1982): 741-74.

The Rise of the U.S. to Industrial Supremacy

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

- Paul A. David and Gavin Wright, "Increasing Returns and the Genesis of American Resource Abundance," *Industrial and Corporate Change*, 6 (March 1997): 203-45.

- Naomi R. Lamoreaux, *The Great Merger Movement in American Business, 1895-1904* (New York 1985), chpts. 3 and 4.

J. Bradford De Long, "Did J. P. Morgan's Men Add Value? An Economist's Perspective on Financial Capitalism," in Peter Temin, ed., *Inside the Business Enterprise: Historical Perspectives on the Use of Information* (Chicago 1991), pp. 205-49.

* Douglas A. Irwin, "Did Late-Nineteenth-Century U.S. Tariffs Promote Infant Industries? Evidence from the Tin Plate Industry," *Journal of Economic History*, 60 (June 2000): 335-60.

Revolutionizing the State and the Growing Public

- Douglass C. North and Barry R. Weingast, "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England," *Journal of Economic History*, 49 (Dec. 1989): 803-32.
- Peter H. Lindert, *Growing Public: Social Spending and Economic Growth Since the Eighteenth Century* (New York: Cambridge University Press, 2004), Chapters 3-7.
- * Douglass C. North, John Joseph Wallis, and Barry R. Weingast, "A Conceptual Framework for Interpreting Recorded Human History," NBER Working Paper No. 12795 (2006).

The Rise of Big Business

- Alfred D. Chandler, Jr., *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, Mass.: Harvard University Press, 1990), Chapter 3.
- Naomi R. Lamoreaux, Daniel M. G. Raff, and Peter Temin, "Beyond Markets and Hierarchies: Towards a New Synthesis of American Business History," *American Historical Review*, 108 (April 2003): 404-33.
- * Elizabeth Granitz and Benjamin Klein, "Monopolization by 'Raising Rivals' Costs': The Standard Oil Case," *Journal of Law and Economics*, 39 (April 1996): 1-48.

Cities and Agglomeration Economies

- Sukkoo Kim and Robert A. Margo, "Historical Perspectives on U.S. Economic Geography," NBER Working Paper 9594 (2003).
- Naomi R. Lamoreaux, Margaret Levenstein, and Kenneth L. Sokoloff, "Mobilizing Venture Capital During the Second Industrial Revolution: Cleveland, Ohio, 1870-1920," *Capitalism and Society*, 1 (2006), issue 3, article 5,
- * Nathan Rosenberg and Manuel Trajtenberg, "A General-Purpose Technology at Work: The Corliss Steam Engine in the Late-Nineteenth-Century United States," *Journal of Economic History*, 64 (Mar. 2004): 61-99.

Section 4: Identifying Sources of Economic Growth

Informal Institution: Culture, Religion and Ideas

- Avner Greif, "Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies," *Journal of Political Economy* (October 1994).

• Joel Mokyr, *The Gifts of Athena: Historical Origins of the Knowledge Economy* (Princeton: Princeton University Press, 2002), pp. 28-77.

Robert B. Ekelund, Jr., Robert F. Hebert, and Robert D. Tollison, "An Economic Analysis of the Protestant Reformation," *Journal of Political Economy*, 110 (June 2002): 646-71.

* Sascha O. Becker and Ludger Wobmann, "Was Weber Wrong? A Human Capital Theory of Protestant Economic History," unpublished paper (2007).

The Roles of the Government

• Claudia Goldin and Lawrence Katz, "Human Capital and Social Capital: The Rise of Secondary Schooling in America, 1910-1940," *Journal of Interdisciplinary History*, 29 (4) 683-723.

• Kenneth L. Sokoloff and Eric M. Zolt, "Inequality and the Evolution of Institutions of Taxation in the Americas," in *New Perspectives on Latin American Economic History*, Sebastian Edwards, Gerardo Esquivel, and Graciela Marquez, eds., (Chicago: University of Chicago Press): 2006.

* Alberto Alesina, Reza Baqir, and William Easterly, "Public Gods and Ethnic Divisions," *Quarterly Journal of Economics*, 114 (November 1999): 143-1284.

Slavery: A Bad Institution?

• Robert W. Fogel, *Without Consent or Contract: The Rise and Fall of American Slavery* (New York), chpts. 1-5 and Afterword.

Robert W. Fogel and Stanley L. Engerman, "Explaining the Relative Efficiency of Slave Agriculture in the Antebellum South," *American Economic Review*, 67 (June 1977): 275-96.

Donald F. Schaefer and Mark D Schmitz, "The Relative Efficiency of Slave Agriculture: A Comment," Paul A. David and Peter Temin, "Explaining the Relative Efficiency of Slave Agriculture in the Antebellum South: Comment," and Gavin Wright, "The Efficiency of Slavery: Another Interpretation," *American Economic Review*, 69 (March 1979): 208-26.

Robert W. Fogel and Stanley L. Engerman, "Explaining the Relative Efficiency of Slave Agriculture in the Antebellum South: Reply," *American Economic Review*, 70 (September 1980): 672-90.

Legal Regimes

• Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny, "Legal Determinants of External Finance," *Journal of Finance*, 52 (July 1997): 1131-50.

Naomi R. Lamoreaux and Jean-Laurent Rosenthal, "Legal Regime and Contractual Flexibility: A Comparison of Business's Organizational Choices in France and the United States during the Era of Industrialization," *American Law and Economics Review*, 7 (Spring 2005), pp. 28-61.

Aldo Musacchio, "Can Civil Law Countries Get Good Institutions? Creditor Rights and Bond Markets in Brazil, 1850-2003," Harvard Business School Working Paper no. 06-040 (2006).

Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny, "Law and Finance," *Journal of Political Economy* 106 (Dec. 1998): 1113-55.

* Raghuram G. Rajan and Luigi Zingales, "The Great Reversals: The Politics of Financial Development in the Twentieth Century," *Journal of Financial Economics*, 69 (Fall 2003): 5-50.

Patent Systems, Property Rights and Technical Change

• B. Zorina Khan and Kenneth L. Sokoloff, "Of Patents and Prizes: Great Inventors and the Evolution of Useful Knowledge in Britain and the United States, 1750-1930," unpublished working paper (2006).

Kenneth L. Sokoloff, "Inventive Activity in Early Industrial America: Evidence from Patent Records, 1790-1846," *Journal of Economic History*, 48 (Dec. 1988): 813-50.

* Robert Allen, "Collective Invention," *Journal of Economic Behavior and Organization*, 4 (January 1983): 1-24.

* Petra Moser, "How Do Patent Laws Influence Innovation? Evidence from Nineteenth-Century World's Fairs," *American Economic Review*, 95 (Sept. 2005): 1214-36.

Openness, Commerce and Development

• Edwards, Sebastian (1993). "Openness, Trade Liberalization, and Growth in Developing Countries," *Journal of Economic Literature*, Vol. 31, No. 3. (Sep., 1993), pp. 1358-1393.

• Ronald Findlay and Kevin H. O'Rourke, "Commodity Market Integration, 1500-2000," in *Globalization in Historical Perspective*, ed. Michael D. Bordo, Alan M. Taylor, and Jeffrey G. Williamson (Chicago: University of Chicago Press, 2003), pp. 13-64.

• Kevin H. O'Rourke and Jeffrey G. Williamson (2002), "From Malthus to Ohlin: Trade, Growth and Distribution Since 1500" (Cambridge: NBER Working Paper w8955, May)

• Lance Davis and Robert Huttenback, "Businessmen, the Raj, and the Pattern of Government Expenditures: The British Empire, 1860-1912," in David Galenson, ed., *Markets in History: Economic Studies of the Past* (New York 1989), pp. 190-230.

Frankel, Jeffrey A. and David Romer (1999). "Does Trade Cause Growth?" *The American Economic Review*, Vol.89, No. 3. (Jun., 1999), pp. 379-399.

* Antoni Esteve, Brian Frantz, and Alan M. Taylor, "The Rise And Fall Of World Trade, 1870-1939," *Quarterly Journal of Economics*, 118 (May 2003): 359-407.

* Shiue, Carol H. (2002). "Transport Costs and the Geography of Arbitrage in Eighteenth Century China," *American Economic Review*, 92(5):1406-1419.

Financial Institutions and Economic Development

- Ross Levine, "Financial Development and Economic Growth: Views and Agenda," *Journal of Economic Literature* (June 1997).

- Naomi R. Lamoreaux, *Insider Lending: Banks, Personal Connections, and Economic Development* (New York: Cambridge University Press 1994), Introduction and Chapters 1 and 3.

- Rafael La Porta, Florencio Lopez-de-Silencez, and Guillermo Zamarripa, "Related Lending," *Quarterly Journal of Economics*, 118 (Feb. 2003): 231-268

Timothy Guinnane, W. "Delegated Monitors, Large and Small: Germany's Banking System, 1800-1914." *Journal of Economic Literature*, 40 (March 2002): 73-124.

Michael Collins, "English Bank Development within a European Context, 1870-1939." *Economic History Review*, 51 (February 1998): 1-24.

Steven Quinn, "Substitutes or Complements: The Relationship between Government Debt and Private Lending during the Financial Revolution." Mimeo 1999.

Larry Neal "The Finance of the Industrial Revolution" in Floud and McCloskey, *Economic History of Britain Since 1700*, Vol. I.

* P. T. Hoffman, G. Postel-Vinay, and J-L Rosenthal, "Redistribution and Long-Term Private Debt in Paris, 1660-1726. *Journal of Economic History*, June 1995.

* Gelderblom, Oscar, and Joost Jonkers. "Completing a Financial Revolution, the Finance of the East India Trade and the Rise of the Amsterdam Capital Market 1595-1612." *The Journal of Economic History* (2004), 64: 641-672

* Robert Cull, Lance E. Davis, Naomi R. Lamoreaux, and Jean-Laurent Rosenthal, "Historical Financing of Small- and Medium-Size Enterprises," *Journal of Banking and Finance*, 30 (Nov. 2006), pp. 3017-42.

Peter Rousseau and Richard Sylla, "Emerging Financial Markets and Early U.S. Growth," *Explorations in Economic History*, 42 (Jan. 2005), 1-26.

Section 5: Consequences of Economic Growth: Are We Better Off?

Measuring Living Standards

- Clark, Gregory (2005). "Living Standards in the Malthusian Era," chapter 3 of *The Conquest of Nature*

- Steckel, Richard (1995). "Stature and the Standard of Living," *Journal of Economic Literature*. 33(4) (December 1995), pp 1903-1940

Steckel, Richard. "Health and Nutrition in Pre-Columbian America: The Skeletal Evidence." *Journal of Interdisciplinary History* 36 (Summer 2005), 1-32.

James Z. Lee and Cameron D. Campbell, "Living Standards in Liaoning, 1749–1909: Evidence from Demographic Outcomes", in Robert C. Allen, Tommy Bengtsson, and Martin Dribe, "Living standards in the past: new perspectives on well-being in Asia and Europe", Oxford University, 2005.

Measuring Real Wages and Prices

- Robert Allen, "The Great Divergence in European Wages and Prices from the Middle Ages to World War I," *Explorations in Economic History*, 38 (October 2001): 411-447.

Ozmucur, Suleyman and Sevket Pamkut, (2002). "Real Wages and Standards of Living in the Ottoman Empire, 1489-1914," *Journal of Economic History* 62(2): 225-47.

Se Yan, "Real Wages and Skill Premia in China, 1860 to 1936", mimeo UCLA

Robert C. Allen, Jean-Pascal Bassino, Debin Ma, Christine Moll-Murata, and Jan Luiten van Zanden, "Wages, Prices, and Living Standards in China, Japan, and Europe, 1738-1925", GPIH working paper.

Inequality

- Peter H. Lindert, "Unequal English Wealth Since 1670," *Journal of Political Economy*, December 1986.

- Claudia Goldin and Robert Margo, "The Great Compression: The Wage Structure in the US at Mid Century," *Quarterly Journal of Economics*, (Feb. 1992), p.1-34.

- L. Katz and K. Murphy, "Changes in Relative Wages, 1964-1987: Supply and Demand Factors," *Quarterly Journal of Economics*, (Feb. 1992), p. 35-78. Joseph Ferrie and Jason Long, "A Tale of Two Labor Markets: Career Mobility in Britain (1851-1881) and the U.S. (1850-1880)," unpublished working paper, 2003.

Thomas Piketty, Gilles Postel-Vinay, and Jean-Laurent Rosenthal, "Wealth Concentration in a Developing Economy: Paris and France, 1807-1994," *American Economic Review*, March 2006.

Clayne Pope, "Measuring the Distribution of Well-Being," unpublished working paper, 2003.

Simon Kuznets, "Economic Growth and Income Inequality," *American Economic Review*, March 1955.

Thomas Piketty and Emmanuel Saez, "Income Inequality in France, 1900-1998," unpublished working paper, 2000.

* Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States, 1913-1998," *Quarterly Journal of Economics*, February 2003.

* Daron Acemoglu, "Technical Change, Inequality and the Labor Market" *Journal of Economic Literature* (March 2002), p. 7-72.

Are We Better Off?

- Fogel, Robert. (2004). *The Escape from Hunger and Premature Death, 1700-2100, Europe, America and the Third World*, Cambridge: Cambridge University Press, pp. 1-65.

- Richard Easterlin, "Will Raising the Incomes of All Increase the Happiness of All?" *Journal of Economic Behavior and Organization*, 27 (June 1995): 35-47.

Robert W. Fogel, "Catching up with the Economy," *American Economic Review* (March 1999): 1-21.