

EC 4020. The World Economy

Kevin H. O'Rourke
Arts 3033
Office hours: Tuesday 10-12.

Globalization is possibly the most overused word in contemporary social science, but it is far from being a new phenomenon; nor is globalization irreversible. This course provides an introduction to the history of the international economy over the past two centuries, and asks: What were the political and technological underpinnings of increased trade, capital and labour flows during the period; what were the effects of these flows on income distribution within countries; and what political responses did they provoke? What can explain the deglobalization experienced in the years between 1914 and 1945? What, if any, were the connections between globalization and convergence? Between globalization and growth?

Rules of the game

Mobile phones should be switched off in class. The final grade will be based on a term paper of 20 pages (20%), and a final examination (80%). The term paper should identify an original research topic arising from your reading during the course. A one page outline of the paper should be submitted by the end of the first week of Hilary term; the paper itself should be submitted by the end of the Hilary term reading week (i.e. by close of business on Monday of week 8). Late papers will incur a penalty of 10% per day that they are overdue. You are required to submit the paper both in hard copy and electronically, via turnitin or similar software (details to follow). Students are responsible for everything we cover in class. My strategy for ensuring that you cover the entire course will be to set individual exam questions which cover topics from more than one part of the syllabus.

Readings

The two main readings for the course are K.H. O'Rourke and J.G. Williamson, **Globalization and History: The Evolution of a 19th Century Atlantic Economy** (MIT Press, 1999); henceforth, **Globalization and History** (now available in paperback), and Ronald Findlay and Kevin H. O'Rourke, **Power and Plenty: Trade, War, and the World Economy in the Second Millennium** (Princeton University Press, 2007), henceforth **Power and Plenty** (also available in paperback). My recent papers are available on my website.

Abbreviations

AER: American Economic Review
BER: Bulletin of Economic Research
BHR: Business History Review
CEPR: Centre for Economic Policy Research Discussion Paper.
EEH: Explorations in Economic History
EER: European Economic Review
EHR: Economic History Review
EREH: European Review of Economic History
HIER: Harvard Institute of Economic Research Discussion Paper
IER: International Economic Review
IO: International Organization
JDE: Journal of Development Economics
JEH: Journal of Economic History
JEL: Journal of Economic Literature
JEP: Journal of Economic Perspectives
JIE: Journal of International Economics
JME: Journal of Monetary Economics
JPE: Journal of Political Economy.
Mass Migration: T.J. Hatton and J.G. Williamson [1998], **The Age of Mass Migration: Causes and Economic Impact** (Oxford).
NBER: National Bureau of Economic Research Working Paper

PDR: Population and Development Review.

RES: Review of Economics and Statistics

Lecture topics and reading list

Required readings are indicated with an (*); recommended readings with a (#). The more you read the better. Read the recommended readings before the lecture, so that you can participate actively in the class.

1. Introduction

Power and Plenty, Preface(*), Chapters 1, 2 (#).

2. When did globalization begin?

Power and Plenty, Chapters 3-5. (#)

O'Rourke, K.H. and J.G. Williamson [2002], "When did globalisation begin?," **EREH** 6: 23-50. (#)

O'Rourke, K.H. and J.G. Williamson [2002], "After Columbus: explaining the global trade boom 1500-1800," **JEH** 62(2), pp. 417-456 (*).

O'Rourke, K.H. and J.G. Williamson [2005], "From Malthus to Ohlin: Trade, Industrialisation and Distribution Since 1500," **Journal of Economic Growth** 10, pp. 5-34 (*).

O'Rourke, K.H. and J.G. Williamson [2006], "Did Vasco da Gama Matter for European Markets?" IIS Discussion Paper 118.

3. The slave trade and the Industrial Revolution

Power and Plenty, Chapter 6 (*).

Findlay, R. [1990], "The 'Triangular Trade' and the Atlantic Economy of the Eighteenth Century: A Simple General-Equilibrium Model," **Essays in International Finance** 177, International Finance Section, Department of Economics, Princeton University. (#)

Fogel, R. [1989], **Without Consent or Contract: The Rise and Fall of American Slavery** (Norton), Chapters 1, 7.

Mokyr, J. [1977], "Demand Vs. Supply in the Industrial Revolution," **JEH** 37(4): 981-1008.

Mokyr, J. [1993], "Editor's Introduction: The New Economic History and the Industrial Revolution," in J. Mokyr (ed.), **The British Industrial Revolution: An Economic Perspective** (Westview): 1-131, esp. 59-78.

O'Brien, P.K. [1982], "European Economic Development: The Contribution of the Periphery," **EHR** XXXV(1): 1-18. (#)

O'Brien, P.K. and S.L. Engerman [1991], "Exports and the Growth of the British Economy from the Glorious Revolution to the Peace of Amiens," in B.L. Solow (ed.), **Slavery and the Rise of the Atlantic System** (Cambridge): 177-209.

Solow, B.L. [1987], "Capitalism and Slavery in the Exceedingly Long Run," in B.L. Solow and S.L. Engerman (eds.), **British Capitalism and Caribbean Slavery: The Legacy of Eric Williams** (Cambridge University Press): 51-77. (*)

Thomas, R.P. and D.N. McCloskey [1981], "Overseas Trade and Empire 1700-1860," in R. Floud and D.N. McCloskey (eds.), **The Economic History of Britain since 1700, Volume 1** (Cambridge): 87-102.

4. From mercantilism to the first great globalization boom: the Revolutionary and Napoleonic Wars

Crouzet, F. [1964], "Wars, blockade, and economic change in Europe, 1792-1815," **JEH** XXIV: 567-588. (#)

Frankel, J.A. [1982], "The 1808-1809 embargo against Great Britain," **JEH** XLII: 291-307.

Irwin, D.A. [2002], "The welfare effects of autarky: evidence from the Jeffersonian Embargo," available from <http://www.dartmouth.edu/~dirwin/>

O'Rourke, K.H. [2005], "The worldwide economic impact of the Revolutionary and Napoleonic Wars," **NBER** 11344 (*).

Rosenbloom, J.L. [2002], "Path dependence and the origins of cotton textile manufacturing in New England," **NBER** 9182 (September).

5. 19th century globalization: introduction

- Bairoch, P. [1989], "European Trade Policy, 1815-1914," in **The Cambridge Economic History of Europe**, vol. III, ed. by P. Mathias and S. Pollard (Cambridge: Cambridge University Press).
- Baldwin, R.E. [1996], "The Political Economy of Trade Policy: Integrating the Perspectives of Economists and Political Scientists," in R. Feenstra *et al.* (eds.), **The Political Economy of Trade Policy** (MIT Press). (#)
- Globalization and History**, Chapter 3. (*)
- Kindleberger, C. P. [1975], "The Rise of Free Trade in Western Europe, 1820-1875," **JEH** 35: 20-55.
- McKeown, T. J. [1983], "Hegemonic Stability Theory and 19th Century Tariff Levels in Europe," **IO** 37: 73-91.
- North, D. C. [1958], "Ocean Freight Rates and Economic Development 1750-1913," **JEH** 18: 538-55.
- Power and Plenty**, Chapter 7. (*)
- Ejrnæs, M. and K.G. Persson. 2000. Market Integration and Transport Costs in France, 1825-1903: A Threshold Error Correction Approach to the Law of One Price. *Explorations in Economic History* 37: 149-173.
- Jacks, D.S. 2005. Intra- and International Commodity Market Integration in the Atlantic Economy, 1800–1913. *Explorations in Economic History* 42:381-413.

6. The political economy of trade policy: Britain's move to free trade

- Globalization and History**, Chapter 5. (*)
- Irwin, D. A. [1989], "Political Economy and Peels's Repeal of the Corn Laws," **Economics and Politics** 1: 41-59. (#)
- McKeown, T.J. [1989], "The Politics of Corn Law Repeal and Theories of Commercial Policy," **British Journal of Political Science** 19: 353-380.
- Schonhardt-Bailey, C. [1991], "Specific Factors, Capital Markets, Portfolio Diversification, and Free Trade: Domestic Determinants of the Repeal of the Corn Laws," **World Politics** 43: 545-69. (#)
- Williamson, J.G. [1990], "The Impact of the Corn Laws Just Prior to Repeal," **EEH** 27: 123-156.

7. Repeal and the long run effects of the Irish Famine

- Ó Gráda, C. [1994], **Ireland: A New Economic History 1780-1939** (Oxford), Chapters 8-11. (#)
- Ó Gráda, C. and K.H. O'Rourke [1997], "Migration as Disaster Relief: Lessons from the Great Irish Famine," **EREH** 1: 3-25. (*)
- O'Rourke, K.H. [1991], "Did the Great Irish Famine Matter?," **JEH** 51: 1-22. (#)
- O'Rourke, K.H. [1994], "The Repeal of the Corn Laws and Irish Emigration," **EEH** 31: 120-38.
- O'Rourke, K.H. [1994], "The Economic Impact of the Famine in the Short and Long Run," **AER** 84: 309-13.

8. Were Heckscher and Ohlin right?

- Flam, H., and M. J. Flanders [1991], **Heckscher-Ohlin Trade Theory** (Cambridge, Mass.: MIT Press).
- Globalization and History**, Chapter 4. (*)
- O'Rourke, K. H., A. M. Taylor, and J. G. Williamson [1996], "Factor Price Convergence in the Late Nineteenth Century," **IER** 37: 499-530.
- O'Rourke, K. H. and J. G. Williamson [1994], "Late 19th Century Anglo-American Factor Price Convergence: Were Heckscher and Ohlin Right?" **JEH** 54: 892-916.

9. The political economy of trade policy: late 19th century European protectionism

- Globalization and History** Chapter 6. (*)
- Gourevitch, P. [1977], "International Trade, Domestic Coalitions and Liberty: Comparative Responses to the Crisis of 1873-1896," **Journal of Interdisciplinary History** VIII: 281-313.
- Kindleberger, C. P. [1951], "Group Behavior and International Trade," **JPE** 59: 30-46. (#)

O'Rourke, K.H. [1997], "The European Grain Invasion, 1870-1913," **JEH** 57: 775-801. (#)
Rogowski, R. [1989], **Commerce and Coalitions: How Trade Effects Domestic Political Arrangements** (Princeton University Press), Chapters 1,2. (*)

10. Mass migrations: why they moved

Globalization and History, Chapter 7. (*)

Hatton, T. J. and J. G. Williamson [1993], "After the Famine: Emigration from Ireland 1850-1913," **JEH** 53: 575-600.

Hatton, T. J. and J. G. Williamson [1994], "What Drove the Mass Migrations from Europe in the Late Nineteenth Century?" **PDR** 20: 1-27. (#)

Mass Migration, Chapters 1-5. (#)

11. Mass migrations: consequences

Boyer, G. R., T. J. Hatton, and K. H. O'Rourke [1994], "Emigration and Economic Growth in Ireland, 1850-1914," in **Migration and the International Labor Market, 1850-1939**, edited by T. J. Hatton and J. G. Williamson (London: Routledge).

Globalization and History, Chapter 8. (*)

Mass Migration, Chapters 7-9. (#)

Mokyr, J. and C. Ó Gráda [1982], "Emigration and Poverty in Pre-Famine Ireland," **EEH** 19: 360-384.

12. Global capital market integration in the 19th and 20th centuries

Bordo, M.D., B. Eichengreen and J. Kim [1998], "Was There Really an Earlier Period of International Financial Integration Comparable to Today?" **NBER** 6738 (September). (#)

Bordo, M.D. and H. Rockoff [1996], "The Gold Standard as a 'Good Housekeeping Seal of Approval' ", **JEH** 56: 389-428. (#)

Globalization and History, Chapter 11. (*)

Jones, G. [1996], **The Evolution of International Business: An Introduction** (London: Routledge), Chapter 2.

Obstfeld, M. and A. M. Taylor [1997], "The Great Depression as a Watershed: International Capital Mobility in the Long Run," in **The Defining Moment: The Great Depression and the American Economy in the Twentieth Century**, edited by M. Bordo, C. Goldin and E. White (Chicago: University of Chicago Press).

13. International capital flows in the 19th century: causes and consequences

Clark, G. (1987), "Why Isn't the Whole World Developed? Lessons from the Cotton Mills," **JEH** XLVII: 141-73. (#)

Globalization and History, Chapter 12. (*)

Lucas, R. E. [1990], "Why Doesn't Capital Flow from Rich to Poor Countries?" **AER** 80: 92-6.

Pollard, S. [1985], "Capital Exports, 1870-1914: Harmful or Beneficial?," **EHR** 38: 489-514.

Taylor, A. M., and J. G. Williamson [1994], "Capital Flows to the New World as an Intergenerational Transfer," **JPE** 102: 348-71.

14. Imperialism: costs and benefits

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

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

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

- Ferguson, Niall. 2003. "British Imperialism Revisited: The Cost and Benefits of Anglobalization." <http://www.nyu.edu/fas/institute/dri/DRIWP/DRIWP02.pdf>
- Mitchener, Kris James, and Marc Weidenmier, 2008. "Trade and Empire," NBER Working Papers 13765. <http://www.nber.org/papers/w13765>
- Engerman, Stanley L., and Kenneth L. Sokoloff. 1997. Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies: A View from Economic Historians of the United States. In *How Latin America Fell Behind: Essays on the Economic Histories of Brazil and Mexico, 1800–1914*, edited by Stephen Haber. Stanford, Calif.: Stanford University Press. <http://www.nber.org/papers/h0066>
- Schedvin, C. B. "Staples and Regions of Pax Britannica." *Economic History Review* 20 (November 1990): 533-59.
- Nathan Nunn. "Historical Legacies: A Model Linking Africa's Past to its Current Underdevelopment," *Journal of Development Economics*, Vol. 83, No. 1, May 2007, pp. 157-175.
- Nathan Nunn. "The Long Term Effects of Africa's Slave Trades," *Quarterly Journal of Economics*, Vol. 123, No. 1, February 2008, pp. 139-176.

15. Globalization backlash and World War I

- Feinstein, C.H., P. Temin and G. Toniolo [1997], **The European Economy Between the Wars** (Oxford University Press), Chapters 1, 2. (#)
- Globalization and History**, Chapters 9, 10. (*)
- Goldin, C. [1994], "The Political Economy of Immigration Restriction in the United States, 1890 to 1921," in C. Goldin and G. D. Libecap (eds.), **The Regulated Economy: A Historical Approach to Political Economy** (Chicago: University of Chicago Press).
- Power and Plenty**, Chapter 8 (*).

16. The Great Depression

- (#)Peter Temin, **Lessons from the Great Depression**. Cambridge, MA: MIT Press.
- (*)Barry Eichengreen, **Globalizing Capital**, 2nd ed., 2008, Ch. 3. Princeton: Princeton UP.
- (*)Ben Bernanke, "The Macroeconomics of the Great Depression: A Comparative Approach." NBER Working Paper No. w4814
- Ben Bernanke. 1983. "Nonmonetary effects of the financial crisis in the propagation of the Great Depression." **AER** 73, 257-276.
- Ben Bernanke and Kevin Carey. 1996. "Nominal Wage Stickiness and Aggregate Supply in the Great Depression." **QJE** 111, 853-883.
- (*) Eichengreen, O'Rourke et al.: paper to be specified.
- Romer, C. 2009, Lessons of the Great Depression for Economic Recovery in 2009, Presented at the Brookings Institution, Washington, DC (9 March). Available at http://www.brookings.edu/events/2009/0309_lessons.aspx
- King, G., O. Rosen, M. Tanner and A.F. Wagner. 2008. "Ordinary Economic Voting Behavior in the Extraordinary Election of Adolf Hitler." *Journal of Economic History* 68: 951-996."

17. Trade and the Great Depression

- (*)Clemens, M.A. and J.G. Williamson. 2004. Why did the Tariff-Growth Correlation Change after 1950? *Journal of Economic Growth* 9: 5-46.
- (#)Eichengreen, B. and D.A. Irwin 1995. Trade Blocs, Currency Blocs and the Reorientation of World Trade in the 1930s. *Journal of International Economics* 38: 1-24.
- Foreman-Peck, J., A. Hughes Hallett and Y. Ma. 2000. A Monthly Econometric Model of the Transmission of the Great Depression between the Principal Industrial Economies. *Economic Modelling* 17: 515-544.
- Foreman-Peck, J., A. Hughes Hallett and Y. Ma. 2007. Trade Wars and the Slump. *European Review of Economic History* 11: 73-98.
- (*)Hynes, W., D.S. Jacks and K.H. O'Rourke. 2009. Commodity Market Disintegration during the Interwar Period. *CEPR Discussion Paper* 7189.
- Irwin, D.A. 1998a. Changes in U.S. Tariffs: The Role of Import Prices and Commercial Policies. *American Economic Review* 88: 1015-1026.

- Irwin, D.A. 1998b. The Smoot-Hawley Tariff: A Quantitative Assessment. *Review of Economics and Statistics* 80: 326-334.
- (*)O'Rourke, K.H. 1991. Burn Everything British but their Coal: The Anglo-Irish Economic War of the 1930's. *Journal of Economic History* 51: 357-366.

18. Interwar capital markets: debt and default

- Eichengreen, B. and R. Portes [1986], "Debt and Default in the 1930s: Causes and Consequences," **EER** 30: 565-589. (*)
- Lindert, P.H. and P.J. Morton [1989], "How Sovereign Debt has Worked," in J. Sachs (ed.), **Developing Country Debt and the World Economy** (University of Chicago Press). (*)
- Özler, Ş. [1993], "Have Commercial Banks Ignored History?" **AER** 83: 608-620. (#)
- Taylor, A. M. [1992], "External Dependence, Demographic Burdens, and Argentine Economic Decline After the Belle Epoque," **JEH** 52: 907-36.
- Taylor, A.M. [1998], "Argentina and the World Capital Market: Saving, Investment, and International Capital Mobility in the Twentieth Century," **JDE** 57: 147-184.

19. The legacy of wars and depression in the 3rd world

- Corbo, V. [1992], "Development Strategies and Policies in Latin America: A Historical Perspective," International Center for Economic Growth, Occasional Paper no. 22 (April).
- Diaz Alejandro, C. [1984], "Latin America in the 1930s," in Thorp, R. (ed.), **Latin America in the 1930s: The Role of the Periphery in World Crisis** (Macmillan): 17-49. (*)
- Krueger, A. [1997], "Trade Policy and Economic Development: How We Learn," **AER** 87: 1-22. (*)
- Power and Plenty**, Chapter 9.
- Prebisch, R. [1984], "Five Stages in My Thinking on Development," in Meier, G. and D. Seers (eds.), **Pioneers in Development** (Oxford University Press): 175-204. (#)

20. Post-1945 globalization and the 'Golden Age' of European growth

- Crafts, N.F.R. and G. Toniolo (eds.) [1996], **Economic Growth in Europe Since 1945** (Cambridge U.P.), Chapters 1, 2. (*)
- De Long, J.B. and B. Eichengreen [1993], "The Marshall Plan: History's Most Successful Structural Adjustment Program," in R. Dornbusch, W. Nödling and R. Layard (eds.), **Postwar Economic Reconstruction and Lessons for the East Today** (MIT Press). (#)
- Eichengreen, B. and M. Uzan [1992], "The Marshall Plan: Economic Effects and Implications for Eastern Europe and the Former USSR," **Economic Policy** 14: 14-75.
- Irwin, D.A. [1995], "The GATT's Contribution to Economic recovery in Post-war Western Europe," in B. Eichengreen (ed.), **Europe's Post-war Recovery** (Cambridge University Press). (#)

21. The East Asian miracle and the East Asian crisis

- Krugman, P. [1994], "The Myth of Asia's Miracle," **Foreign Affairs**, Nov./Dec., 62-78.
- Krugman, P. [1998], "What happened to Asia?," <http://web.mit.edu/krugman/www/DISINTER.html>
- Radelet, S. and J. Sachs [1998], "The East Asian Financial Crisis: Diagnosis, Remedies, Prospects," **Brookings Papers on Economic Activity** 1, 1-90.
- Rodrik, D. [1995], "Getting interventions right: how South Korea and Taiwan grew rich," **Economic Policy** 20, 55-107. (#)

22. The Great Credit Crisis of 2008

- IMF World Economic Outlook, April 2009, available at <http://www.imf.org/external/pubs/ft/weo/2009/01/index.htm>
- The October WEO should also be read: <http://www.imf.org/external/pubs/ft/weo/2009/02/index.htm>
- Further readings to be provided.