

Economics 226
AMERICAN ECONOMIC HISTORY

1. Course Purpose and Approach

This graduate course examines American economic growth, its sources, concomitants and consequences, from colonial times to the post World War II era. It aims to introduce students to the methodologies of economic history and principal findings of modern research on the development of the US economy, examining both macroeconomic growth processes and underlying microeconomic conditions affecting technological change and various forms of capital accumulation.. This will be done by focusing more intensively on a series of "topics" and "problems," rather than by undertaking a comprehensive chronologically structured survey.

Students unfamiliar with the broad outlines of American history may wish to consult a general college text, such as Gary B. Nash and Julie Roy Jeffrey, *The American People: Creating a Nation and A Society*, Second Edition, Harper & Row, 1990. A useful undergraduate textbook treatment of most of the topics to be examined can be found in: Jeremy Atack and Peter Passell, *A New Economic View of American History from Colonial Times to 1940*, Second Edition, New York: W.W. Norton, 1994 (Paperback: ISBN 0-393-96315-2). There is no "required" textbook, but citations are made of the selected reading in *Historical Perspectives on the American Economy*, edited by R. Whaples and D. C. Betts, Cambridge University Press, 1995 (paperback: ISBN 0-521-46648-2). Items from this volume are indicated in the Reading List by **W&B: chapter number**.

Students will be aided in creating their own, non-commercial "coursepack": master copies of readings items marked (*) will be made available in front of Room 333 of the Economics Department. These may be copied for students' own use, at their expense.

2. Location and Time of Course Meetings & Instructor's Office Hours

Course meetings will be held in Economics Room 206 and will follow the pre-announced schedule: Tuesdays and Thursdays at 11:00am -12:50pm.

Contact Information for Paul David: Regular Office Hours, 3:15-5pm Tuesdays, in Economics Room 333. To set up alternative consultation, leave voicemail on 723-3710; email pad@stanford.edu.

3. Course Organization, Eligibility and Requirements

This course is intended for graduate students who have completed the micro- and macro core courses, although the formal pre-requisite is less exacting: the first course in the Microeconomic core sequence, or equivalent preparation. The readings in the syllabus are organized under (20) topical headings, and student input will be solicited in selecting a more compact sub-set of topics that can be covered during the Quarter at an average pace of one per week. Background reading items are intended to provide an "orientation" or overview of the topic are indicated in the Syllabus & Readings; one or two particular items usually will be indicated as "required reading" for each meeting—sometimes at the preceding week's meeting of the class. Student presentations of the selected paper(s) will be arranged, but everyone is expected to come prepared to participate in focused discussions of these assigned readings. Presentations and participation in discussion is one of the three major course requirements.

There is no final written examination in this course, but preparation of a research proposal during the Winter Quarter, is the second formal requirement. The third and major requirement is the submission of a "substantial" research paper on or before the last day of lectures in the Spring Quarter (2009). (See further details of

what this entails, below).

4. Required Research Paper: Proposal Development Stages and Schedule

A research paper must be submitted on a topic that has been arrived at in consultation with the instructor on an topic proposed by the student. The goal is a paper worthy of further development as a credible submission to a journal.

A schedule of special office hours for that purpose will be set up midway through the Quarter; students should begin beforehand to focus upon a topic and undertake some preliminary reading, guided by the reading list and bibliographic materials on CourseWork (see below). An approved topic must be confirmed on or before December 1 and a Proposal is to be submitted by the last day of the Examination period (12 December), following the scheduled stages of preparation set out in section 5, below. *The final draft of the paper itself must be submitted on or before the last day of Spring Quarter 2009.* No extensions of the deadline will be granted (except in grave medical conditions or equivalent personal circumstances). These papers will be graded on the basis of the interest and significance of the subject matter selected for analysis, and how well it is handled, not on their length which should be suitable to the matter treated.

The website on SU CourseWork will provide pdfs of many electronic versions of published papers authored by P. A. David that many be downloaded for use by members of this course. References made to those papers should cite, and check quotations from the published versions, and they sometimes differ. Bibliographic reference will be posted on CourseWork for students interested in pursuing topics introduced in the readings and lectures, including theory and applications of path dependence and the role of historical forces in economic processes.

5. Schedule for Required Stages in Research Paper Preparation

Step 1: Consultation on Topic: Week of 3rd November :

E-mail sign-up by 4th November for 20-30min appointment at Econ Room 333 in 5th or 6th November. Come prepared to propose one or more possible topics for closer exploration before proceeding to next stage.

Suggested 20 min. time slots on:

Wednesday, 5th November: 3:30pm -5:30pm

Thursday, 6th November: 3:30pm -5:30pm

PAD: will add other times if needed; students with conflicts should email requests early in the week.

Step 2: Prospectus : due on or before Noon, 18th November :

Submit (via email) a 2-3 page Prospectus for research paper (via email), responding to the 3 questions:

Subject: What is the question the paper will answer?

Motivation: What is the context in which the topic and the answer are interesting?

Strategy: What sources and methods can be used to answer this question?

PAD: comments on Prospectus will be returned via email on or before 25th November.

Step 3: Research Proposal: due on or before 2nd December:

Submit (via email) a 4-5 page Proposal:

Statement of the topic

Background and motivation

Brief discussion of relevant secondary literature

Research methods/data sources

Bibliography (partially annotated)*

PAD: comments on Research Proposal will be returned on or before 5th December

*Note on documentation of web sources: Working papers and publications found on the web should be described by author, title, institution or publisher, date, complete URL plus, the following information:

when posted/last updated; date when you visited the website). These citation conventions should be adhered to in the reporting of sources for the paper itself.

Step 4: Circulation of Revised (or Unrevised) Proposals: via email to Class List: 8th December

Every student is responsible for circulating at the unrevised version of her/his Proposal to the entire Class List, distribution of a draft that has been quickly revised in the light of comments received from PAD (on or before the 5th Dec.) will ease the Stage 5 presentation and result in more useful discussion.

Step 5: Presentation of Revised Proposal for Class Discussion: 9th December.:

Each student should plan to give a 15 minute presentation (handouts or OHTs are very useful); collaborations will have the same per student time allocation. Every paper, however will have up to 10 minutes of discussion.

SYLLABUS and READINGS: ECONOMICS 226

Notation and Abbreviations

- * required reading
- AER** American Economic Review
- AHR** American Historical Review
- EEH** Explorations n Economic History
- JEH** Journal of Economic History
- JEL** Journal of Economic Literature
- JEP** Journal of Economic Perspectives
- FPE** Journal of Political Economy
- QJE** Quarterly Journal of Economics
- WMQ** William and Mary Quarterly

Note: AER, AHR, JEP, JPE, QJE, and WMQ for dates prior to 2003 may be accessed at:

<http://www.jstor.org/cgi-bin/jstor/listjournal>.

Part I: Introduction to Economic History as a Field of Study

1. Economic History, Historical Economics and Path Dependence

1.1 The Case of QWERTY: Metaphor, Myth and History

- * P.A David, "Understanding the Economics of QWERTY," in W.N. Parker, ed., *Economic History and the Modern Economist*, London: Blackwells, 1986; or "Clio and the Economics of QWERTY," *AER*, 75 (May) 1985.
- * S.J. Liebowitz and S.E. Margolis, "The Fable of the Keys," *Journal of Law and Economics*, 33, April 1989. [<http://wwwpub.utdallas.edu/~liebowit/keys1.html>>.]
- P. A. David, "At last, a remedy for chronic QWERTY-skepticism!," European Summer School in Industrial Dynamics (ESSID), at l'Institute d'Etudes Scientifique de Cargese (Corse), France, September 1999. Stanford Economics Working Paper 99-025 on <http://www-econ.stanford.edu/faculty/workp/>>.]

1.2 Analytics of Economic Processes Where History Matters

- *P. A. David, "Path Dependence – A Foundational Concept for Historical Social Science,"

Cliometrica, 1(2) Spring-Summer 2007. [Available as SIEPR Policy Paper (October 2006) at: <http://siepr.stanford.edu/papers/pdf/06-08.html>.]

W.B. Arthur, "Competing Technologies, Increasing Returns, and Lock-In by Historical Events," *Economic Journal*, 99, May 1989.

P.A. David, "Path-Dependence and Predictability in Dynamical Systems with Local Network Externalities: A Paradigm for Economic History," Ch. 8 in *Technology and the Wealth of Nations*, D. Foray and C. Freeman, eds., London: Elgar, 1993.

* P.A. David, "Path-Dependence: Putting the Past into the Future of Economics," *Institute for Mathematical Studies in the Social Sciences Report 533*, Stanford University, November 1988.

D. N. McCloskey, "Does the Past Have Useful History ?" *JEL*, June 1976 [**W&B: Ch.1.**]

Claudia Goldin, Avner Grief :articles on "Cliometrics After 40 Years," *AER* May 1997.

Part II

Long-run Economic Growth in Theory and Practice

2. American Macroeconomic Growth in Comparative Perspective

A. Maddison, *Dynamic Forces in Capitalist Development: A Long-Run Comparative View*, Oxford University Press, 1991, Ch. 1.

M. Abramovitz, *Thinking About Economic Growth*, Stanford: Stanford University Press, 1989, Ch.1, esp. sections i-iv, vii.

*P.A. David, "The Tale of Two Traverses: Innovation and Accumulation in the First Two Centuries of U.S. Economic Growth," [The Gallman Lecture, delivered at Duke University, 26 March 2004], *SIEPR Policy Paper No. 03-024*, March 2004. Available at: <http://siepr.stanford.edu/papers/pdf/03-24.html>. (Revised November 2005).

*M. Abramovitz and P. A. David, "Convergence and Deferred Catch-Up: Productivity Leadership and the Waning of American Exceptionalism," ch. 1 in *The Mosaic of Economic Growth*,(R. Landau, T. Taylor and G. Wright, eds.), Stanford, CA: Stanford University Press, 1996.

Part III: New World Foundations, 1607-1815

3. Peoples and Institutions

3.1 Population Dynamics in the Colonial Settlement Phase

* Daniel Scott Smith, "A Malthusian-Frontier Interpretation of United States Demographic History Before c. 1815," in W. Borah et al., *Urbanization in the Americas*, 1980.

*Daniel Scott Smith, "The Demography of Colonial New England," *JEH*, 32, March 1972.

3.2 Institutional Transfers, Adaptations and Transformation

* David W. Galenson, "The Rise and Fall of Indentured Servitude: An Interpretation," *JEH*, 44, March 1984, or **W&B: Ch. 4.**

Kenneth Lockridge, *A New England Town: The First Hundred Years*, Ch. 9.

Bernard Elbaum, "Why Apprenticeship Persisted in Britain But Not in the United States," *JEH*, 49, June 1989.

4. The Political Economy of Revolution and Nation-Building, 1763-1815

4.1 Imperial Policies, the American Revolution, and the Burden of Independence

*Gavin Wright, "The Role of Nationhood in the Economic Development of the USA," in A. Teichova and H. Matis (eds.), *Nation, State, and the Economy in History* (2003)

Mark Egnal and Joseph A. Ernst, "An Economic Interpretation of the American Revolution," *WMQ*, June 1972, or **W&B: Ch. 2.**

*Joseph D. Reid, Jr., "Economic Burdens: Spark to the American Revolution?" *JEH*, March 1978.
Charles Calomiris, "Institutional Failure, Monetary Scarcity, and the Depression of the Continentals," *JEH*, 48 (March), 1988.

Grubb-Michener-Wright, "Debate on Creation of the US Dollar," *AER* 12/03, 6/05, 9/05

4.2 The Economics of the Constitution and the Federalist Program

* Curtis P. Nettles, *The Emergence of the National Economy*, Ch. 5: "The Economics of the Constitution."

Robert A. McGuire and Robert L. Ohsfeldt, "An Economic Model of Voting Behavior on Specific Issues at the Constitutional Convention of 1787," *JEH*, 46 (March) 1986.

* J.A. Frankel, "The 1807-1809 Embargo Against Great Britain," *JEH*, June 1982.

Part IV : Structural Change and Transition to Modern Economic Growth, 1790-1907

5. Antebellum Commercial and Industrial Transformations

5.1 The Transportation Revolution and Growth Before 1840

P.A. David, "New Light on a Statistical Dark Age: U.S. Real Product Growth Before 1840," *AER*, May 1967. [or, for the serious, the full version: P.A. David, "U.S. Real Product Growth Before 1840: New Evidence and Controlled Conjectures," *JEH*, June 1967.]

*P. A. David, "Real Income and Economic Welfare Growth in the Early Republic: Another Try at Getting the American Story Straight," Oxford University Economic and Social History Discussion Paper Number 3 (March) 1996.

Daniel B. Klein, "The Voluntary Provision of Public Goods? The Turnpike Companies of Early America," *Economic Inquiry*, October, 1990.

Winfred Rothenberg, "The Market and Massachusetts Farmers, 1750-1855," *JEH*, June 1981 [W&B: Ch. 2].

5.2 The Rise of Manufacturing--Factories by the Falls and at the Prairies' Edge

* M. Abramovitz and P. A. David, *Two Centuries of American Macroeconomic Growth: From the Exploitation of Constructed Resource Abundance to the Era of Knowledge-Driven Development*, SIEPR Discussion Paper 01-05, August 2001. [Available at: <http://siepr.stanford.edu/papers/index.html>], Pt.2.1 only.

*C. Knick Harley, "International Competitiveness of the Antebellum American Cotton Textile Industry," *JEH* 523, September 1992.

David Hounshell, *From the American System to Mass Production*, Ch. 1.

- *Claudia Goldin and Kenneth Sokoloff, "The Relative Productivity Hypothesis of Industrialization," *QJE*, 99, August 1984.
- P.A. David, "Industrial Labor Market Adjustment in a Region of Recent Settlement: Chicago, 1848-1868," Ch. 3 in *Quantity and Quiddity: Essays in U.S. Economic History*, ed.P. Kilby., Wesleyan University Press, 1987.
- *P. A. David, "Learning by doing and tariff protection...in the Antebellum Cotton Textile Industry," *JEH*, 30(3), 1970, or Ch.2 of David, *Technical Choice. Innovation and Economic Growth*, C.U.P.,1975 (reprinted 2007)..

6. Agricultural Progress: Regional Differences and Alternative Institutional Regimes

6.1 Free Farming in the Trans-Appalachian West

- Mark Kanazawa, "Possession is Nine Point of the Law:The Political Economy of Early Public Land Disposal," *EEH* (April), 1996: pp.227-249.
- * Albert Fishlow, "The Dynamics of Labor Market Extension into the West," Ch. 30 in *The Reinterpretation of American Economic History*, R.W. Fogel and S.L. Engerman, eds., Harper & Row, 1971.
- *P.A. David, *Technical Choice, Innovation and Economic Growth*, (Cambridge University Press, 1975): Ch. 4 ("Mechanization of Reaping in the Antebellum Midwest").
- *A. Olmstead and P. Rhode, "Beyond the Threshold: An Analysis of the Characteristics and Behavior of Early Reaper Adopters," *JEH*, March 1995.
- Alan Olmstead, "The Mechanization of Reaping and Mowing in American Agriculture, 1833-1879," *JEH* 35, June 1975.

6.2 Slavery and the Southern Economy

- Gavin Wright, *The Political Economy of the Cotton South*, Norton, 1978: Ch. 4 ("The Pace of Progress in the Cotton South"), Ch. 5 ("Making Economic Sense of Cotton, Slavery and the Civil War")
- *Gavin Wright, "Slavery and American Agricultural History," *Agricultural History*, 77 (2003).
- *R.W. Fogel and S.L. Engerman, "The Anatomy of Exploitation," *Time on the Cross*, 1974, vol.1, ch. 1 [**W&B: Ch. 5.**]
- *P.A. David et al, *Reckoning with Slavery: A Critical Study in the Quantitative History of American Negro Slavery*, (Oxford University Press, 1976), Ch. 1.
- P.A. David and P. Temin, "Slavery: The Progressive Institution?" in **W&B: Ch. 6.**
- R. W. Fogel and S. L. Engerman, "Explaining the Relative Efficiency of Slave Agriculture in the Antebellum South"; "Comment" by P. A. David and P. Temin; "Another Interpretation" by Gavin Wright, all in *AER*, 69 (1), March 1997.
- R.L. Ransom and R. Sutch, "The Trap of Debt Peonage," **W&B: Ch. 8.**

7. Micro-economics of Invention, Accumulation and Labor in Transition, 1830 - 1890

7.1 Transportation Revolution

- A.D. Chandler, The Railroads...1850s-1860s," **W&B: Ch. 10.**
- R.W. Fogel, "Notes on the Social Savings Controversy," *JEH* March 1979[**W&B:Ch. 11.**]
- *P.A. David, "Transport Innovation and Economic Growth: Professor Fogel On and Off the Rails," *EHR*, 22(3), December 1969, or Ch. 5 in David, *Technical Choice*, 1975.

7.2 Finance, and Fertility and Finance in the Grand Traverse of the 19th c.

- * William A. Sundstrom and P.A. David, "Old Age Security Motives, Labor Markets and Farm Family Fertility in Antebellum America," *EEH*, 25, April 1988, pp. 164-97.
- P.A. David and W.C. Sanderson, "The Emergence of the Two-Child Norm Among American Birth Controllers," *Population and Development Review*, 13(1), March 1987, esp. pp. 1-19, 27-31.
- R. Sylla, "Federal Policy, Banking Market Structure, and Capital Mobilization, 1863-1913," **W&B: Ch. 14.**

7.3 Technological Foundations for Modern Times: Minerals, Mass Production

- P.A. David, *Technical Choice, Innovation and Economic Growth*, Ch. 1 ("Labor Scarcity and the Problem of Technological Practice and Progress...").
- David Hounshell, *From American System to Mass Production*, Chs. 6-8.
- * Gavin Wright, "The Origins of American Industrial Success," *AER*, 80, September 1990, [**W&B: Ch. 13**].
- *P.A. David and Gavin Wright, "Increasing Returns and the Genesis of American Resource Abundance," *Industrial and Corporate Change [ICC]*, December 1997.
- Paul M. Romer, "Why, Indeed in America?," *AER*, 86, May:pp.202-206.
- Gregory Clark, "Why Isn't the Whole World Developed?," *JEH*, March 1987.

Part IV: Emergent Economic Giant: The Rise to International Pre-Eminence, 1880-1950

8. Modern Business Enterprise and the Growth of Government's Role

8.1 The Changing Scale of Enterprise and the National Market

- Alfred D. Chandler, "Organizational Capabilities and the Economic History of Industrial Enterprise," *JEP*, 6 (Summer), 1992.
- *Jeremy Atask, "Industrial Structure and the Emergence of the Modern Industrial Corporation," *EEH*, 1985:29-52 [**W&B: Ch. 12**]
- *Naomi Lamoreux, Ch. 5 in *The Great Merger Movement in American Business*, 1985.
- Charles W. McCurdy, "American Law and the Marketing Structure of the Large Corporation, 1875-1890," *JEH*, 37(3), September 1978.
- P. A. David, Heroes, Herds and Hysteresis in Technological History: Thomas A. Edison and the "Battle of the Systems" Revisited," *ICC*, 1(1), 1992: pp.129-183

8.2 Populism, the Trusts and Regulation in the Progressive Era, 1870-1912

- Mark T. Kanazawa and Roger G. Noll, "The Origins of State Railroad Regulation: The Illinois Constitution of 1870," Ch. 1 in *The Regulated Economy: A Historical Approach to Political Economy*, C. Goldin and G.D. Liebcap, eds., 1994.
- *A. Mayhew, "A Reappraisal of the Causes of Farm Protest in the US, 1870-1900," *JEH*, June, 1972 [**W&B: Ch. 15.**]
- H. Rockoff, "The 'Wizard of Oz' as a Monetary Allegory," **W&B: Ch. 16.**
- *Thomas McCraw, "Rethinking the Trust Question," Ch. 1 in *Regulation in Perspective*, T. McCraw, ed., 1984.
- Robert Higgs, "Crisis, Bigger Government, and Ideological Change: Two Hypotheses on the

Ratchet Phenomenon, *EEH*, 22, 1985.

9. The Interwar Boom and the Great Depression of the 1930s

9.1 The Roaring 'Twenties and the Stock Market

- * Eugene N. White, "The Stock Market Boom and Crash of 1929," *JEP*, 4 Spring 1990.
- Jacob Metzger, "How New Was the New Era? The Public Sector in the 1920s," *JEH*, 45(1), March 1985.
- * P.A. David, "Computer and Dynamo: The Modern Productivity Paradox in a Not-Too-Distant Mirror," in *Technology and Productivity: The Challenge for Economic Policy*, Paris: OECD, 1991.
- * Paul A. David and Gavin Wright, "General Purpose Technologies and Surges in Productivity: Historical Reflections on the Future of the ICT Revolution," in *The Economic Future in Historical Perspective*, P.A. David and M. Thomas (eds.), O.U.P., 2003. [Available from: <<http://hicks.nuff.ox.ac.uk/economics/history/papers>>]

9.2 The Great Depression and the New Deal: Causes and Consequences

- Moses Abramovitz, "The Passing of the Kuznets Cycle," *Economica*, November 1968.
- Charles P. Kindleberger, *The World Depression, 1929-1939*, University of California Press, 1973, Ch. 14 ("An Explanation of the 1929 Depression").
- * Ben Bernanke, "The Macroeconomics of the Great Depression: A Comparative Approach," *Journal of Money, Credit and Banking* 27 (February 1995)
- * Eugene White, "The Stock Market Boom and the Crash of 1929," *JEP* 4 (Spring 1990)
- * Charles Calomiris, "Financial Factors in the Great Depression," *JEP*, 7(2), Spring 1993.
- Milton Friedman and Anna Schwartz, "Factors Accounting for Changes in the Stock of Money," **W&B: Ch. 18.**
- Peter Temin, "The Fall in the Demand for Money," **W&B: Ch. 19.**

10. American Economic Exceptionalism and the Forces of Convergence

10.1 Twentieth Century Economic-Demographic Dynamics and Intangible Capital Formation

- * M. Abramovitz and P. A. David, "Two Centuries of American Macroeconomic Growth" *SIEPR*, 2001: Part Two, Sections 2.2-2.4.
- M. Abramovitz and P.A. David, "Technological Change and the Rise of Intangible Investments," in *Employment and Growth in the Knowledge-Based Economy*, *OECD Documents*, 1996.
- * C. Goldin and Lawrence F. Katz, "The Origins of Technology-Skill Complementarity," *QJE*, August 1998.
- C. Goldin and Lawrence F. Katz, "Why the United States Led in Education: Lessons from Secondary School Expansion, 1910-1940," *NBER Working Paper* 6144, August 1997.
- Richard A. Easterlin, *Birth and Fortune: The Impact of Numbers on Personal Welfare*, Basic Books, 1980, Ch. 2-3 ("Marriage and Childbearing").

10.2 Pax Americana, Post WW II Erosion of US Productivity Leadership, and the Paradoxical Productivity Slowdown

- * Abramovitz and David, *Two Centuries of American Macroeconomic Growth*, *SIEPR Discussion Paper* 2001, Part Two, sect.3, Pt. Three—"The Slowdown"

- *R. R. Nelson and G. Wright, "The Erosion of U.S. Technological Leadership as a Factor in Postwar Economic Convergence," *JEL* 30, December 1992.
- *Richard B. Freeman, "Does Globalization of the Scientific/Engineering Workforce Threaten U.S. Economic Leadership?" *in Innovation Policy and the Economy* 6 (2006)
- *Robert J. Gordon, "US Economic Growth Since 1870: One Big Wave?" *AER*, 89 (May), 1999.
- P. A. David, "Understanding Digital Technology's Evolution and the Path of Measured Productivity Growth: Present and Future in the Mirror of the Past," *in Understanding the Digital Economy*, E. Brynolfsson and B. Kahin, eds., Cambridge MA: MIT Press, 2000.
- Joseph P. Ferrie, "The End of American Exceptionalism? Mobility Since 1850," *JEP* 19 (Summer 2005)