

ECONOMIC HISTORY

Universidad Carlos III de Madrid

Business Administration; History and Politics; Finance and Accounting 13158

ECTS Credits: 6 | Spring 2024

Lecturer

Dr Emiliano Travieso
office hours: Tues 3-6pm
@ 18.D.15

Seminar teachers

Dr Oliver Buxton Dunn
office hours: TBD

Ms Andrea Martín-Gallego
office hours: TBD

Why are some countries so much richer than others? Why do we live longer lives than our great-grandparents? And how does being born in one place (or migrating to another one) affect your life chances? Economic History provides a way of answering these big questions by looking over our shoulders to the past and—unlike other history disciplines—by using quantitative data. This introductory course spans large world regions over many centuries. We will start before 1800, when all countries were very poor by today’s standards: economic growth was exceptional and poverty unavoidable for most people everywhere. The Industrial Revolution changed this: sustained economic growth driven by continuous technological change became increasingly normal across large swathes of the globe. At the same time, industrialization ushered in a world of huge economic inequality between countries and regions. Industrialization has also vastly increased humankind’s impact on the Earth’s environment.

The course is organized in 13 lectures and a series of practical seminars. The lectures provide an overview of global economic history before zooming into the development paths of different world regions in the 19th and 20th centuries. The seminars will give you a chance to debate the issues and learn techniques used to analyse historical economic data. No previous specialist knowledge is required: coursework can be completed using basic maths and simple commands in conventional spreadsheet software. We recommend that you come to seminars (*prácticas*) with a device that allows you to work comfortably and access data online; if you do not have a device you can bring to class, that is no problem—just let your seminar teacher know.

Objectives

During this course, students will:

- Understand the contours of the most fundamental changes in long-term economic development.
- Critically engage with the most influential explanations for the origins of global economic inequality.
- Learn to work with quantitative economic and social data, including critically assessing data quality and interpreting data visualizations based on historical sources.
- Develop their analytical and rhetorical skills through engagement in teamwork and reasoned debate based on empirical evidence.

Assessment

Coursework (total 60%):

- practical tasks (20%): exercises with historical data in seminars (weeks 1-7)
- class participation (20%), including seminar presentation (weeks 9-14)
- midterm test (20%): test with multiple-choice questions (week 8)

Final exam (40%)

[N.B.: if you miss 5 or more practical seminars you are not eligible for continuous assessment (*evaluación continua*). In this case your final exam is worth 60% of your grade.]

A note on readings

Unlike other subjects in your degree, there is no textbook for this course.¹ On Aula Global you will find the essential readings for each topic. The lectures will make more sense if you do this reading beforehand. There is only one essential text (or two short ones) per lecture; you should be able to read it in about two hours each week. On Aula Global you will also find additional readings which offer more depth (if you are aiming for a better grade or are interested in the subject), as well as ‘bonus readings’ that offer alternative approaches to the topic, aimed at a broader, non-academic audience.

Sessions and topics

PART I: GLOBAL QUESTIONS

1. Introduction: long-term economic growth

Economic History is the study of economic development in the past. So why should you care? Because it can help us understand why we live longer and healthier lives than our ancestors, and why there are still people in the world living on \$2 a day, while some other people live in great affluence. In our first lecture we will discuss long-term economic growth and why the past trajectories of countries (and of regions within them) matter for their future.

Essential reading: Deaton, A. (2013). *The Great Escape: Health, Wealth, and the Origins of Inequality*. Princeton: Princeton University Press, pp. 1-22.

Additional reading: Mokyr, J. (1990). *The Lever of Riches: Technological Creativity and Economic Progress*. New York: Oxford University Press, pp. 3-13.

Bonus reading: Fourie, J. (2021): *Our Long Walk to Economic Freedom*, Cape Town: Tafelberg, pp. 17-29.

Practical: the past is our laboratory, but how can we know what happened? Homework quiz using the Maddison database and primary sources.

¹ If you would like to have a general ‘textbook’ for reference, this is a good option: Allen, R. C. (2011). *Global Economic History: A Very Short Introduction*. Oxford: Oxford University Press.

2. Global economic inequality

How unequal is the world? How has inequality changed through time, as economies develop? Will future economic growth solve the problems brought about by inequality? We will consider how inequality *between* countries and *within* countries has evolved in the long run.

Essential reading: Milanovic, B. (2013). Global Income Inequality in Numbers: in History and Now. *Global policy*, 4(2), 198-208.

Additional reading: Piketty, T. (2014). *Capital in the 21st Century*. Cambridge (MA): Belknap Press, pp. 1-16; 20-27.

Bonus reading: Milanovic, B. (2011) How Much of Your Income Is Determined at Birth?, in his *The Haves and the Have-Nots*. New York: Basic Books, pp. 120-123.

Practical: measuring income inequality: calculating Gini coefficients.

3. Gender and economic development

In every society in history (including our own), women have had less access to economic resources and less freedom as producers and consumers. Female autonomy and long-term economic development are strongly related. But does this mean that, as countries become richer, inequality between men and women will simply disappear? And, conversely, in what ways can female empowerment bring about economic development?

Essential reading: Goldin, C. (1993). The U-shaped female labor force function in economic development and economic history, in *Long-Term Factors in American Economic Growth*, ed. by S. Engerman and R. Gallman, Chicago: University of Chicago Press, 557-604.

Please note that this chapter by Goldin includes some econometrics on pages 76-77. You haven't learned econometrics yet, so we don't expect you to understand that part in detail. For an easier introduction to Goldin's work, see: Andersson, T. et al, "[History helps us understand gender differences in the labour market](#)", The Royal Swedish Academy of Sciences, 2023.

Additional reading: Duflo, E. (2012). Women empowerment and economic development. *Journal of Economic Literature*, 50(4), 1051-79. [you can watch Esther Duflo deliver a lecture on this topic in Barcelona on YouTube: https://youtu.be/wiCb3k_fSGk?t=60]

Bonus reading: Sen, A. (1990) More than 100 million women are missing. *New York Review of Books*, 20 December: 61-66.

Practical: calculate age heaping to estimate numeracy gaps between women and men in 19th-century Spain.

PART II: GLOBAL PROCESSES

4. How it all began: why are we farmers?

For most of human history our ancestors were hunters and gatherers, living in small and highly mobile groups. About 12,000 years ago, some became sedentary, cereal-growing, livestock-rearing people, and these agricultural communities came to dominate in all major world regions. Why did farming substitute hunting and gathering to become the centre of economic activity for thousands of years until around 1800?

Essential readings: Diamond, J. (1999). 'Farmer Power' in his *Guns, Germs and Steel. A Short History of Everybody for the Last 13,000 Years*, London: Vintage, pp. 85-92; Harari, Y. N. (2015). *Sapiens: A Brief History of Humankind*. New York: Vintage Books, pp. 87-100.

Additional reading: Cipolla, C.M. (1974). *The Economic History of World Population*. London: Penguin, pp. 17-27.

Practical: feedback on previous tasks and scheduling of student presentations.

5. The preindustrial economy and its limits

Even after the development of agriculture allowed people to produce more food, pre-industrial economic growth could not be sustained for long periods because it was limited by finite organic energy sources such as firewood and animal muscle energy. Episodes of prosperity encouraged demographic growth which could lead to subsistence crises, in a cycle that Thomas Malthus thought was an unescapable trap (fortunately it wasn't, but more on that next week).

Essential reading: Wrigley, E. A. (2010). *Energy and the English Industrial Revolution*. Cambridge: Cambridge University Press, pp. 9-25.

Additional reading: Livi Bacci, M. (2017). *A Concise History of World Population*. Oxford: Blackwell, pp. 85-113.

Practical: Malthus and the economics of epidemics: analyse policy response to the Black Death in the English crown's Ordinance of Labourers (1349).

6. The 'Little Divergence' and the origins of the Industrial Revolution

Why did industrialization develop first in England, rather than in France or Spain? In this lecture we will consider how and why England, and Northwest Europe more generally, developed faster than the rest of the continent in the centuries between the Black Death and the Industrial Revolution.

Essential reading: Allen, R. C. (2011). *Global Economic History: A Very Short Introduction*. Oxford: Oxford University Press, pp. 27-39.

Additional reading: Wrigley, E.A. (2004). 'The Divergence of England' in his *Poverty, Progress, and Population*. Cambridge: Cambridge University Press, pp. 44-67;

Allen, R.C. (2009). *The British Industrial Revolution in Global Perspective*. Cambridge: Cambridge University Press, pp. 135-155.

Practical: calculating child mortality in industrial England.

7. The Great Divergence and the rise of Europe

The British Industrial Revolution quickly spread to other parts of Europe, starting a long and uneven transition to modern levels of economic growth that resulted in the ‘Great Divergence’ of the last two centuries—the enormous gap in living standards between some parts of the ‘West’ and most of the ‘Rest’ of the world. How did western Europe (and European offshoots such as the USA) achieve these unprecedented levels of welfare? And why has much of the formerly colonized world (where most people live) fallen behind?

Essential reading: Allen, R. C. (2011). *Global Economic History: A Very Short Introduction*. Oxford: Oxford University Press, pp. 1-26.

Additional reading: Pomeranz, K. (2000) *The Great Divergence: China, Europe, and the Making of the Modern World Economy*. Princeton: Princeton University Press, pp. 3-27; 264-269.

Bonus reading: Acemoglu, D. and Robinson, J. (2012) *Why Nations Fail. The Origins of Power, Prosperity, and Poverty*. London: Profile, pp. 45-69.

Practical: midterm exam.

8. The First Globalization

What does ‘globalization’ mean? When did it begin? How can we measure it? We will discuss the development of the world economy during the so-called First Globalization (c.1850-1930), a time of expanding trade, mass migration, and market integration. We will also discuss how and why the First Globalization came to an end, as many leading economies since 1930 imposed barriers to trade and migration, choosing an inward-looking path of development: a ‘deglobalization’ similar to some of the policy proposals we have seen in the early-21st century.

Essential reading: O’Rourke, K. H., & Williamson, J. G. (1999). *Globalization and history: the evolution of a nineteenth-century Atlantic economy*. MIT Press, pp. 119-144.

Additional reading: O’Rourke, K. H., & Williamson, J. G. (2002). When did globalisation begin? *European Review of Economic History*, 6(1), 23-50.

Bonus reading: Milanovic, B. (2013). ‘The Two Faces of Globalization’, *Project Syndicate*, <https://www.project-syndicate.org/commentary/the-two-faces-of-globalization>

Practical: student presentation: was the first globalization a good thing for the welfare of most countries (and people) in the world? Is the current wave of globalization any different?

9. The 20th century economy: the rise of the welfare state

Before the mid-20th century, social spending (i.e. government expenditure on benefits, pensions, healthcare, and education) represented a very small share of GDP. After World War II in Europe and North America (and increasingly elsewhere), social spending became a crucial part of many people's lives. In this lecture we will explain this rise of social spending, which was linked to the transition to fuller democracy, the demographic transition toward fewer births and longer life, and a 'golden age' of economic growth. We will also discuss why social spending looks like a 'free lunch': history and statistics show that this kind of government expenditure does not reduce productivity or GDP per capita growth. From this lecture onwards, our geographical focus moves to the global periphery: the countries which did not experience an industrial revolution in the 19th century and that make up the majority of the world population.

Essential reading: Lindert, P.H. (2004) *Growing Public. Social Spending and Economic Growth Since the Eighteenth Century*, Cambridge University Press, pp. 3-36.

Additional reading: Eichengreen, B (2007). *The European Economy since 1945. Coordinated Capitalism and Beyond*. Princeton: Princeton University Press, pp. 1-51.

PART III: GLOBAL PATHS

10. Development and divergence in Latin America

Latin American economies have experienced recurrent growth since independence, but even the richest among them have not converged with the income levels of North America. Economic growth has also failed to reduce inequality within Latin American countries (which remains world-leading), yet has succeeded in transforming key dimensions of human development, notably in terms of urbanization, life expectancy, and living standards.

Essential reading: Sokoloff, K. L., & Engerman, S. L. (2000). Institutions, factor endowments, and paths of development in the New World. *Journal of Economic Perspectives*, 14(3), 217-232.

Additional reading: Bértola, L., & Ocampo, J. A. (2011). *The Economic Development of Latin America Since Independence*. Oxford: Oxford University Press, pp. 258-267.

Bonus reading: 'Inequality in Latin America: a stubborn curse', *The Economist*, Nov.8, 2003, available at: <https://www.economist.com/the-americas/2003/11/06/a-stubborn-curse>

Practical: student presentation: is Iberian colonialism to blame for Latin American inequality and relative underdevelopment?

11. 'Late Development' in East Asia

China's emergence as an industrial economy is unprecedented in the sheer scale of the process (no previous industrialization involved so many people) and it has laid waste to the once popular assumption in the Social Sciences that China's communist state was inherently incompatible with economic development through market mechanisms. In this lecture we will examine the bases of Chinese economic growth since 1978 in historical perspective.

Essential reading: Zhu, X. (2012). Understanding China's growth: Past, present, and future. *Journal of Economic Perspectives*, 26(4), 103-24.

Additional reading: Brandt, L. and Rawski, T. (eds) (2008). Editors' introduction. In *China's Great Economic Transformation*. Cambridge: Cambridge University Press, pp. 1-26.

Bonus reading: Pomeranz, K. (2016). Nightwork in Chengdu, *London Review of Books*, 38(4).

Practical: student presentation: does history suggest that China's fast growth will continue?

12. Growth and poverty in Africa

Sub-Saharan Africa is the poorest region in the world. What were the historical constraints on African economic development? And has Africa always been comparatively poor? In this lecture we will show that the continent's story is not one of persistent poverty, relative or absolute. Instead, African economic history offers a range of stories and many growth episodes, including the most recent one since c.1995.

Essential readings:

Acemoglu, D., & Robinson, J. A. (2010). Why is Africa poor? *Economic History of Developing Regions*, 25(1), 21-50.

Frankema, E. (2021). Why Africa is not *that* poor. *AEHN Working Paper Series*, 61.

Bonus reading: Jerven, M. (2015). *Africa: Why economists get it wrong*. London: Zed Books, pp. 124-132.

Practical: student presentation: is Africa today really that poor?

13. Epilogue: the environment and global economic development

The Industrial Revolution and its uneven spread across the world allowed human societies to escape poverty and early death: a major historical success—perhaps our greatest. Or so the story goes. However, anthropogenic climate change will increasingly impact on the environmental basis of all economic growth. Will the future show that the Industrial Revolution actually started an ecological tragedy that threatens human survival?

Essential reading: McNeill, J. R. (2015). Energy, population, and environmental change since 1750: entering the Anthropocene. In J. R. McNeill & K. Pomeranz (Eds.), *The Cambridge World History. Volume VII, Part 1, Production, Destruction, and Connection, 1750-Present* Cambridge: Cambridge University Press, pp. 51-82.

Additional reading: Austin, G. (2017). Introduction. In G. Austin (Ed.), *Economic development and environmental history in the Anthropocene: perspectives on Asia and Africa* (pp. 1-22). London: Bloomsbury.

Bonus reading: Malm, A. *Fossil Capital. The Rise of Steam-Power and the Roots of Global Warming*. London: Verso, pp. 357-396.

Practical: student presentation: are there environmental limits to modern economic growth? And if so, who is responsible?

14. Bonus lecture (only for History and Politics students): Political history, institutions, and economic development

Our understanding of economic development was once firmly tied to the material world: the production, consumption, and exchange of goods and services was limited by available resources and technology. But in the last three decades, economics and economic history have begun to focus on institutions: the structure of humanly devised rules and practices that constrain economic decisions and activities. Institutions, it turns out, are crucial to understand why some countries are richer than others, why some societies are more or less unequal, and why cycles of economic growth look the way they do. So if institutions matter and they are endogenous (not determined simply by endowments or geographical location), then why don't all countries simply choose the institutions that are most conducive to economic growth? In this lecture we will discuss how historians explain the emergence of institutions (through accidents, culture, and political conflict) and what this means for comparative economic development.

Essential reading: Ogilvie, S. (2007). 'Whatever is, is right'? Economic institutions in pre-industrial Europe 1. *Economic History Review*, 60(4), 649-684.

Additional reading: Acemoglu, D., Johnson, S., and Robinson, J., 'Institutions as the fundamental cause of long-run growth', in P. Aghion and S. Durlauf, eds., *Handbook of economic growth* (Amsterdam and London, 2005), pp. 385–472.

Classic piece: North, D. C., 'Institutional change and economic growth', *Journal of Economic History*, 31 (1971), pp. 118–125.