

ECONOMICS 333
EVOLUTION OF THE GLOBAL ECONOMY

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<i>Lecture time and location:</i>	Tue, Thu 9:30 – 10:45 am, Diamond 342
<i>Office hours:</i>	Tue 3:45 – 5:30 pm, Fri 9 – 11 am
<i>Course Web page:</i>	www.colby.edu/economics/faculty/jmlong/ec333

Modern nations are linked together by an extensive network of international economic relationships; in other words, there is a global economy. In this course we will examine how things got this way. When and how did people, technology, goods, and capital—both physical and financial—begin to flow so extensively and so far across national borders, and what was the impact of these flows on national economic development? These questions will be at the center of our study. We will focus on the nineteenth and twentieth centuries, during which time the size and scope of trade, migration, finance, and other forms of market integration increased dramatically. The course is organized chronologically. We will begin by studying the beginnings of large-scale globalization during the period 1800 to 1913; then move on to the inter-war period from the First to the Second World Wars, a time of international economic *disintegration*; and finish with the time of reintegration from the end of World War II to the present.

Texts: Peter Temin, *Lessons from the Great Depression* (Cambridge: MIT Press, 1989). **Required.**
A.G. Kenwood and A.L. Loughheed. *The Growth of the International Economy, 1820-2000*, 4th ed (London: Routledge, 1999). **Optional.** (On reserve.)

Reading: The most important reading in the course will come not from the Kenwood and Loughheed textbook, but from outside sources—typically either journal articles or excerpts from books. These are found online through the course Web page, on reserve in the library, or in the Temin book. Generally, one such article or excerpt will be assigned per lecture; occasionally, I may assign two. The readings from the textbook will support the more analytical articles and book excerpts by providing an overview of the relevant material. My lectures will cover what I consider to be the most important aspects of the textbook reading, and will try to facilitate class discussion based on the analysis presented in the articles and excerpts; therefore, it is important that all students read, and read carefully, at least the article or excerpt assigned for each lecture before coming to class—that’s why I’m generally going to assign only one. The Kenwood and Loughheed book serves as a good overview, as the chronological and organizational structure of the course will mirror that of this text. The readings from this book are useful, but are *not* required.

Evaluation: Grades will be based on three exams. The first exam will be on **Thursday, October 2 from 7-8:30 pm**, the second on **Thursday, November 6 from 7-8:30 pm**, and the third on **Sunday, December 13 from 9-11 am**. To offset the required evening exam times, there will be no class on **Thursday, October 16** and **Tuesday, November 25**. The second and third exams will *not* be cumulative. Each of the three exams will count for 30 percent of your grade, with one exception: if it would improve your final grade, I will re-weight the exams so that the first counts for only 20 percent and the other two count for 35 percent each. Only the first exam may be re-weighted in this fashion. Exams are a mix of short-answer and essay questions. The remaining 10 percent of your grade will be determined by class participation. In addition to class participation counting explicitly for 10 percent of your grade, it will be the principal factor in deciding whether borderline grades land on the happy or the sad side of the fence. I expect you to do the reading before each class period and to be prepared to discuss it and answer questions pertaining to it. The lectures will be more rewarding for everybody if you participate rather than simply observe. Therefore, participation factors substantially in your grade.

Course Policies: You should be aware of the college’s policies on class attendance and religious holidays, which are available at http://www.colby.edu/academics_cs/catalogue/2008_2009/academic_program/religious_holiday.cfm, and also on academic honesty: http://www.colby.edu/academics_cs/catalogue/2008_2009/academic_program/acad-honesty.cfm. These policies will be followed in this course. If you cheat on an exam, you will fail the course, and the incident will be reported to the chair of the economics department and to the dean of students. I encourage you to work together in preparing for the exams.

Course Outline and Reading List

In most cases, approximately one lecture will be devoted to each topic. All the required readings (except Temin) are available online through the course Web page. Except where noted, the readings from the Kenwood-Lougheed textbook ("KL" below) are optional; the book is on reserve at the library. All other readings are required.

I. Introduction

Micklethwait, J. and A. Wooldridge. "From Sarajevo to September 11" *Policy Review* 117 (February, March 2003).

II. 1000–1800: Pre-History of the Global Economy – The Rise of Europe

Jones, E. L. *The European Miracle*. Cambridge: Cambridge University Press, 1981. Chs 1 and 2.

Mokyr, J. *The Lever of Riches*. New York: Oxford University Press, 1990. Ch 9.

North, D. "Institutions," *Journal of Economic Perspectives* 5 (Winter 1991): 97-112.

Olson, M. "Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor" *Journal of Economic Perspectives* 10 (Spring 1996): 3-24.

III. 1800–1913: Century of Integration

A. Integration Overview

Irwin, D. "The United States in a New Global Economy? A Century's Perspective" *American Economic Review* 86 (May 1996): 41-46.

Lewis, W. A. *The Evolution of the International Economic Order*. Princeton: Princeton University Press, 1977. Chs 1 and 2.

KL, Introduction, Ch 1.

B. Technology

Clark, G. "Why Isn't the Whole World Developed? Lessons from the Cotton Mills." *Journal of Economic History* 47 (March 1987): 141-73.

KL, Ch 8.

C. Migration

Hatton, T. J., and J. G. Williamson. "What Drove the Mass Migrations from Europe in the Late Nineteenth Century?" *Population and Development Review* 20 (September 1994): 533-59.

Meier, G. M. and J. E. Rauch. "How to Read a Regression Table," in *Leading Issues in Economic Development* (8th ed), New York: Oxford University Press, 2005: 633-38.

KL, Ch 3.

D. Capital Movement

Taylor, A. M., and J. G. Williamson. "Capital Flows to the New World as an Intergenerational Transfer." *Journal of Political Economy* 102 (April 1994): 348–71.

KL, Ch 2.

E. Political Economy

Rogowski, R. "Political Cleavages and Changing Exposure to Trade" *American Political Science Review* 81 (December 1987): 1121-1137.

Williamson, J. "Globalization, Labor Markets, and Policy Backlash in the Past," *Journal of Economic Perspectives* 12 (Fall 1998): 51-72.

KL, Ch 4.

F. International Payments and the Rise of the Gold Standard

Hume, D. "On the Balance of Trade." In *The Gold Standard in Theory and History*, edited by B. Eichengreen. New York: Methuen, 1985.

KL, Ch 7. **This chapter is required.** It is available online.

KL, Ch 6. This chapter is optional.

G. International Trade

O'Rourke, K. & J. G. Williamson, "Late Nineteenth-Century Anglo-American Factor-Price Convergence," *Journal of Economic History* 54 (December 1994): 892-916.

KL, Ch 5.

H. The Core and the Periphery

Acemoglu, D., S. Johnson, and J. A. Robinson. "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review* 91 (December 2001): 1369-1401.

IV. The Interwar Period: Disintegration

A. Disintegration Overview

Lewis, W. A. *Economic Survey: 1919–1939*. London: George Allen and Unwin, 1949. Chs 2 and 3.
KL, Ch 11.

B. War and Its Aftermath

Keynes, J. M. "The Capacity of Germany to Pay Reparations." In *Essays in Persuasion*. New York: W. W. Norton, 1919.
KL, Ch 12.

C. The World in Depression

Temin, P. *Lessons from the Great Depression*. Cambridge: MIT Press, 1989. Lecture 1.
KL, Ch 13.

D. Deepening Depression

Kindleberger, C. *The World in Depression, 1929–1939*. University of California Press, 1986, Ch 14.
Temin, P. *Lessons from the Great Depression*. Lecture 2.

E. Recovery and the Legacy of the World Depression

Temin, P. *Lessons from the Great Depression*. Lecture 3.
KL, Chs 15 and 16.

V. 1945–Present: Reintegration

A. Growth and Technology

Abramovitz, M. "Catching Up, Forging Ahead, and Falling Behind," *Journal of Economic History* 46 (June 1986): 384-406.
Baumol, W. "Productivity Growth, Convergence and Welfare: What the Long-Run Data Show." *American Economic Review* 76 (December 1986): 1072-85.
KL, Ch 17.

B. Trade and International Organizations

Irwin, D. "The GATT in Historical Perspective." *American Economic Review* 85 (May 1995): 323-328.

C. International Capital Markets

Obstfeld, M. "The Global Capital Market: Benefactor or Menace?" *Journal of Economic Perspectives* 12 (Fall 1998): 9-30.
KL, Ch 18.

D. Globalization and Equality

Lindert, P. and J. G. Williamson. "Does Globalization Make the World More Unequal?" NBER Working Paper Series. Paper 8228.

Note: This schedule is tentative; I may make changes as the semester progresses.