Econ 463 Economic Development Before 1900  Professor Christopher Clague  
Spring 2011  3 Credits  Office: Nasatir Hall 318  Tel. 594-5503  Schedule # 20970  
Office Hours: Tues. 11-11:20  Thurs. 11-12, and by appointment  
Email: christopher.clague@gmail.com  Home phone: (858) 412-3251  
I don’t mind your calling me at home (but not after 9PM, please).  

Required texts (all are paperback; used books may be available at lower prices)  
4. Reader contains exercises, sources for paper topics, and the following articles:  
c. Timor Kuran, “Why the Middle East is Economically Underdeveloped,” JEP, 2004  

Grading  
Test 1  25%  
Test 2  25%  
Homework  10%  
Optional Paper  (+) up to 5%  
Final exam  40%  

Students may add up to 5 percentage points to their overall grade by writing a paper on a topic approved by the instructor. To write a paper, you must hand in a sheet of paper describing the topic and listing at least a couple of sources. The topic sheet is due by April 14 and the paper itself is due by April 28. Earlier submissions are welcome, and they will increase the opportunity for my comments on your paper.  

The Course Reader contains a list of reading suggestions for paper topics. The paper must address a well-defined question and must make use of reasoning related to course material. The paper should be about 8 double-spaced pages and must be no longer than 15 pages. The paper should contain a list of sources at the end. The body of the paper should contain specific references to these sources.  

Students who have written a paper, have completed all the assignments in the course, and have B+ or better going into the final do not need to take the final exam. To repeat: in order to be excused from the final exam, you must have written a paper and have a pre-final average of B+ or better.
Theme of the course

This course looks at economic history and attempts to explain the industrial revolution and the emergence of modern economic growth. Why did the industrial revolution occur in Britain and Western Europe, rather than elsewhere in the world? Why did industrialization and modern economic growth not appear in China, India, or the Islamic world, all of which were technologically more advanced than Europe in 1500? Thus the course could have been entitled: Why the West and not the Rest?

One prominent explanation of the “Rise of the West” lies in the character of the economic, political, and social institutions that emerged in Europe. The rule of law, the institutions of representative government, and individual rights to person and property are claimed, in this interpretation, to be quite different in Western Europe than in other regions of the world, and these differences are alleged to account for the distinctive features of capitalism in the West, which in turn explain the emergence of rapid technological change that we call the industrial revolution. This institutional explanation has been challenged by authors who deny that the relevant economic institutions of secure property rights and reliable contract enforcement were very different in non-European societies, and who claim that other factors, notably differences in resource endowments and accidents of history, were important causal factors in the Rise of the West.

The proponents of the institutional explanation typically draw on the New Institutional Economics (NIE), which is a distinctive type of economic theorizing that has become prominent in recent decades. Whereas much of standard economic theory takes the institutions of a market economy for granted, the NIE points out that the institutions of secure property rights, mechanisms of contract enforcement, and the provision and maintenance of physical infrastructure have emerged recently in history and are still not established in many parts of the world. The NIE attempts to explain how societal rules come into existence and why people obey them (or disobey them). In addressing these issues, the NIE stresses the pervasive uncertainty of social life and the high costs of information about the world and about the actions of others. Institutions are seen as a way of coping with this pervasive uncertainty. The NIE also departs from standard economics in relaxing the assumption that people are guided by rational self-interest, and it recognizes that people care about the welfare of others (both positively and negatively) and often act in the common interest without regard to their self-interest.

In our analysis of the institutional explanation of the Rise of the West, we will explain how the NIE departs from the assumptions of standard economic theory. The course will present some basic theory of games, including prisoners’ dilemma, assurance, and other games that are designed to illuminate real-world human interactions. As mentioned above, the main focus of the course will be on various explanations of the breakthrough to industrialization and modern economic growth, which occurred in the late 18th century in Britain, but the roots of which lie deep in the economic history of many parts of the world. We shall also look at the spread of the institutions of capitalism and industrialization around the world in the nineteenth century. We consider the United States, Latin America, China, Japan, and the Islamic lands.
Topical Outline
1. Introduction: Walrasian and Institutional Economics. The Puzzle of the Course: Why the West and not the Rest?

2. Specialization and trade. Why these were essential for technological progress. Spread of ideas and technology.


4. Game Theory: Assurance Game, Prisoner’s Dilemma Game. Message of institutional economics: Your optimal strategy depends on what you expect others to do. Hence the same fundamental conditions can give rise to multiple equilibria, some of which are much more desirable than others.

5. Europe
   a. Europe 1000-1500
   b. Europe 1500-1700.
   c. Military Revolution
Reading: North, Landes, Goldstone

6. World Trade to 1500. World Trade 1500-1800
   a. China
   b. Islamic Lands
   c. India and Southeast Asia
Reading: Landes, Goldstone

7. Industrial Revolution. Scientific Revolution
   a. Britain
   b. Why not Elsewhere?
Reading: Landes, Goldstone, Allen, Lipsey et al.

8. Spread of Industrialization
   a. Continental Europe
   b. Lack of response in China, Islamic Lands, India
   c. United States and Latin America
   d. Japan
Reading: Landes, Sokoloff and Engerman, Kuran

9. Democracy and Economic Development

10. Why the West and not the Rest? Interpretations
    Landes, North, Allen, Goldstone, Lipsey et al.
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<thead>
<tr>
<th>Date</th>
<th>Lecture</th>
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<tr>
<td>Jan. 20</td>
<td>Walrasian and Institutional Economics. Specialization and Trade.</td>
<td>Landes, Introduction and Chap. 1</td>
<td>Ex1 Walras</td>
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<td>Jan. 25-27</td>
<td>Nature’s Inequalities Europe and China</td>
<td>Landes, Chaps 2, 3 Goldstone, Chaps 1, 2</td>
<td>Ex2 Specialization</td>
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<td>Feb. 1-3</td>
<td>Game Theory: Assurance Game Malthus model Europe 1000-1500</td>
<td>Landes, Chap. 4</td>
<td>Ex3 Assurance</td>
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<td>Ex5 Malthus</td>
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<td>Feb. 8-10</td>
<td>Game Theory: Prisoner’s Dilemma Paradox of the West</td>
<td>North, Paradox of the West</td>
<td>Ex4 PD Quiz 1</td>
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<td>Feb. 15-17</td>
<td>Europe 1500-1700 Portugal and Netherlands</td>
<td>Landes, Chaps 9-10</td>
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<td>Feb. 22-24</td>
<td>Age of Discovery European trade with Asia</td>
<td>Goldstone, Chap 4 Landes, Chap 12</td>
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<td>March 1-3</td>
<td>Review. Test 1</td>
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<td>March 8-10</td>
<td>World Trade 1500-1700 Industrial Revolution</td>
<td>Landes, Chap 13</td>
<td>Ex7 World Trade</td>
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<td>March 15-17</td>
<td>Industrial Revolution Why British? Landes answer</td>
<td>Landes, Chaps 14, 15</td>
<td>Ex8 Industrial Revolution</td>
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<td>March 22-24</td>
<td>Industrial Revolution Why British? Allen answer Why British? Goldstone answer</td>
<td>Allen, Chaps 1, 2 Allen, Chaps 6, 11 Goldstone, Chap 7</td>
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<td>March 28 week</td>
<td>Spring Recess</td>
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<td>April 5-7</td>
<td>Industrial Revolution: Spread to European Continent US and Latin America</td>
<td>Landes, Chap 16 Europe Landes, Chap 19 Frontiers Sokoloff and Engerman</td>
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<td>April 12-14</td>
<td>Review. Test 2</td>
<td>Landes, Chap 20 S. America Landes, Chap 21 China</td>
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<td>April 14</td>
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<td>April 26-28</td>
<td>Why not elsewhere? Japan</td>
<td>Landes, Chaps 22-23 Japan</td>
<td>Paper due April 28</td>
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<td>May 3-5</td>
<td>Why the West? Interpretations</td>
<td>North, Landes, Goldstone, Kuran, Lipsey</td>
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<td>May 10</td>
<td>Review</td>
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<td>Final exam Tuesday, May 17</td>
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<td>Final exam 8:00-10:00 AM</td>
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