Econ 463 Economic Development Before 1900 Professor Christopher Clague
Fall 2011 3 Credits Office: Nasatir Hall 318 Tel. 594-5503 Schedule # 21002
Office Hours: MW 3-3:30, 4:45-5:15 PM, 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)
1. Karl Gunnar Persson, An Economic History of Europe: Knowledge, Institutions, and
Growth, 600 to the Present, Cambridge University Press, 2011 ($36)
3. Robert C. Allen, The British Industrial Revolution in Global Perspective, 2009,
Cambridge University Press ($28)
4. Reader ($61.49) contains exercises, sources for paper topics, and the following articles:
c. Timor Kuran, “Why the Middle East is Economically Underdeveloped,” JEP, 2004
d. Kenneth Sokoloff and Stanley Engerman, “History Lessons: Institutions, Factor
Endowments, and Paths of Development in the New World,” (JEP, 2000)

The following articles are posted on Blackboard
Industrialization in Europe and China,” in Tetlock (2007)
f. Leonard Dudley, “The Eclipse of the Caravans” (Chapter on Dutch Golden Age) in
Dudley (1991)
g. Joel Mokyr, “The Great Synergy: The European Enlightenment as a Factor in Modern
Economic Growth” in Wilfred Dolfsma and Soete (2006)

Grading
Test 1 25%
Test 2 25%
Homework and Quizzes 15%
Optional Paper (+) up to 5%
Final exam 35%

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 November 17 and the paper itself is due by November 30. 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.

**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, Rule Obedience model. 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, Persson

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

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

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, Lipsey et al., Persson, Mokyr
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<th>Date</th>
<th>Lecture</th>
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<td>Aug 29-31</td>
<td>Walrasian and Institutional Economics. Nature’s Inequalities: Europe and China</td>
<td>Landes, Introduction and Chapters 1 and 2</td>
<td>Ex 1 Walras</td>
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<td>Sept 7</td>
<td>European Exceptionalism Game Theory: Assurance Game</td>
<td>Landes, Chap 3</td>
<td>Ex3 Assurance</td>
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<td>Sept 12-14</td>
<td>The Making of Europe Europe from Obscurity to Economic Recovery</td>
<td>Persson, Introduction and Chapters 1 and 2</td>
<td>Home 1 due Ex2 Specialization</td>
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<td>Sept 26-28</td>
<td>Technological Change in Middle Ages; Europe and China</td>
<td>Landes, Chap 4</td>
<td>Ex5 Malthus</td>
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<td>Oct 3-5</td>
<td>Paradox of the West</td>
<td>North, Paradox of the West</td>
<td>Ex7 North</td>
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<td>Oct 10-12</td>
<td>Review. Test 1</td>
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<td>Oct 17-19</td>
<td>Age of Discovery European trade with Asia</td>
<td>Landes, Chap 6 Portugal Chap 9, 10 Netherlands *Dudley, Dutch on BB</td>
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<td>Oct 24-26</td>
<td>Rule Obedience, Social Norms Industrial Revolution</td>
<td>*Ostrom, Social Norms on BB Landes, Chap 13</td>
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<td>Oct 31-Nov 2</td>
<td>Industrial Revolution Why British? Landes answer Rule obedience, Social Norms</td>
<td>Landes, Chaps 14, 15</td>
<td>Ex9 IR Landes</td>
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<td>Nov 7-9</td>
<td>Industrial Revolution Why British? Allen answer</td>
<td>Allen, Chaps 1, 2 Allen, Chaps 6, 11 *Mokyr, IR on BB</td>
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<td>Nov 21</td>
<td>US and Latin America</td>
<td>Sokoloff and Engerman Landes, Chap 20 LA</td>
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<td>Thanks</td>
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<td>Japan</td>
<td>Landes, Chaps 22, 23</td>
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<td>Dec 5-7</td>
<td>Institutions and Economic Growth Technology Transfer</td>
<td>Persson, Chap 5 Persson, Chap 6, pp. 92-107</td>
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<td>Dec 14</td>
<td>Final Exam</td>
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