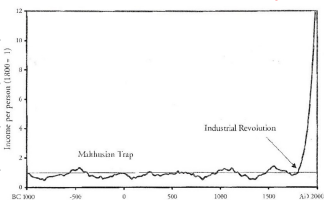




Week 2

Classical economists Adam Smith David Ricardo Thomas Malthus James Mill	Classical economists refers to the dominant school of thought in 18th-19th cc *economy is still a subcategory of "political economy" Adam Smith
⇓ all talked about distribution of income Merchantalism	Wealth of Nations (1776) ↳ written against merchantist system ↳ still writing about the pre-industrial system ↳ about government policy in international trade
Neoclassical economists (1903) Alfred Marshall	invisible hand when people act in their interest outcome will be good for all price is the key element in market to reach eqb.
China: currency depreciation ←	Merchantalism international trade is a zero sum game government central in economy Custom taxes / import taxes Support exports of goods $X > M$ is good ↳ gets gold
David Ricardo ⇒ Theory of Comparative Advantage An economy's ability to produce a particular good / service at a lower opportunity cost than its trading partners	

malthusian trap



arnold taynbee



industrial revolution

population
theory

Thomas Malthus

Malthusian Trap

Increased food production as a result of advanced agricultural techniques creates higher population levels. The higher population levels then lead to food shortages as the new population must live on land that was previously used for crop

Population Theory

Human population grows geometrically
food supply grows arithmetically

Alfred Marshall - Mary Paley (neoclassical)

Principles of economic

expressing economical expressions in mathematical form

Arnold Taynbee

industrial revolution

↳ he popularized the term

Malthusian trap $\rightarrow$ food $\uparrow$ pop $\uparrow \Rightarrow$ land $\downarrow$ food $\downarrow$
population theory $\rightarrow$ human geometric
food arithmetic pop $\downarrow$

German Historical School

German school Marx Weber ^{studied law} Gustav van Schmoller Joseph Schumpeter	* history was the key source of knowledge about human actions & economic matters * rejected universal validity of economic theory → Saw economics resulting from careful empirical & historical analysis instead of from logic & mathematics * preferred reality; historical, political, and social, as well as economics to mathematical modeling
* analysis math & theories	Max Weber * founding father of sociology Protestant Ethic & Capitalism Capitalism in Northern Europe evolved when the Protestant (particularly Calvinist) ethic influenced large number of people to engage in work in the secular world, developing their own enterprises & engaging in trade & the accumulation of wealth investment
Protestant Ethics & Capitalism	

german school => history & analysis > mathematical models

max weber => protestant ethics led to development of capitalism in northern europe

1950-1960's

High Development Theories	High Development Theories
WW Rostow	* structural thinking
Raul Prebisch	→ patterns of development & underdevelopment are interlinked
Immanuel Wallerstein	↳ one thing that works for a country may not work for the other (in international trade)
	= comparative advantage theory
	dependency theory
	resources flow from a "periphery" of poor & underdeveloped states to a "core" of wealthy states, enriching the latter at the expense of the former
	* interdependency between developed & underdeveloped countries make it difficult for underdeveloped countries to develop on their own
	W.W. Rostow
	Modernization Theory
	through increased investment, increased exposure to modernized, Western society, and changes in traditional culture & values societies will become more highly developed

protectionist
policies :
restrictions
on international
trade

Raul Prebisch

argentinian, thinker & economist
in under developed countries

↳ leads protectionist ideas

↳ import substitution

↳ industrialization

Prebisch supported these ideas

Braudel

wrote about structure in history
slowly changing material life

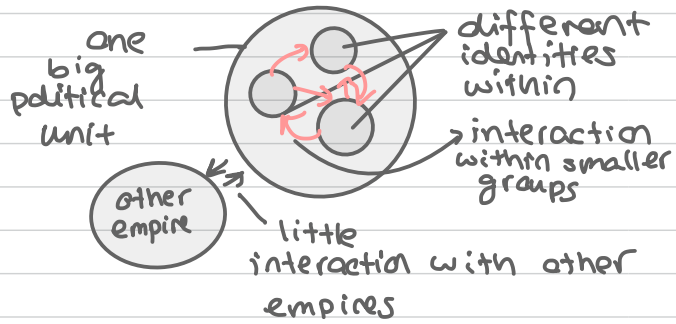
IMMANUEL WALLERSTEIN

world system
mini system
world empires
world economy

world system
core regions
England
Netherlands
periphery
poland
semi-periphery
Spain

World - System Theory

mini system
self sufficient
pre industrial
society
world-empires
economic system
within itself like
ottoman empire



world - economy

16th cc european economy
different political units interacting with each other

Core regions

produces manufactured goods → high-tech textile
13th cc

England
Netherlands

poland

periphery

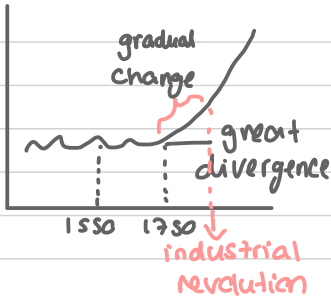
a region providing raw materials

semi-periphery

trying to do both
- Spain

↳ braudel calls this system capitalist

Week 3



Low Countries

(Flemish)

Netherland & Belgium
Région

productivity

$\frac{Q}{\text{land}}$ or $\frac{Q}{L}$

agrarian change

process by which the political economy of agrarian sector alters in some way

↳ involves change in social relations & dynamics of production power relations in agrarian relations & ownership structures in agricultural sector

industrial revolution

England

Northeastern Europe

England & Low Countries

Europe

⇐ industrial revolution reached by agrarian change

Agricultural Revolution

Huge increase in agricultural productivity between (1670-1770) ⇒ agricultural output grows more than population

primary location: England

changes in Netherlands as well

1500 - 50 unit per worker

1750 - 150 unit per worker

1850 - 250 unit per worker

} in England

Malthusian Dynamics

diminishing marginal utility $\Leftarrow$	population $\rightarrow$ geometric food production $\rightarrow$ arithmetic * gradually food production will be less than needed for growing population $\rightarrow$ as workers increase productivity decrease
positive checks preventative checks	because population $>$ food * under nourishment * illnesses * diseases
population growth $>$ food production	* wars may increase positive checks neutral force on population rate events that shorten human life • epidemics • wars • starvation • famines
	preventive checks behaviours that reduce birth rate celibacy, late marriage, contraception
	* well-being increases with demographic factors according to malthus

food $\uparrow$ population $\uparrow$ land $\downarrow \Rightarrow$ food $<$ population
 $\hookrightarrow$ malthusian dynamics
 $\Downarrow$
until productivity increase in agriculture

Change in Agriculture

2 field 3 field Norfolk Crop Rotation Convertible Husbandry	as productivity increased in agriculture there were <u>excess labor</u> for factories aggregate ↑ population ↑ urbanization ↑ output why agricultural output rose • changes in crop rotation in 13th-14th cc → 2 field system half of ⇒ grains (wheat, barley, rye) half of ⇒ fallow (no sowing) ↳ 3 field system 1/3 fallow 1/3 grains 1/3 legumes (peas, lentils, beans) <u>Norfolk Crop Rotation System</u> fodder for stock wheat - turnip - barley - <u>clover</u> ↳ encourage livestock production <u>Convertible Husbandry</u> rotate grazing with husbandry on the same soil <u>arable farming</u> change in property rights use of nitrogen/manure for fertilizer
--	---

agricultural productivity rose with changing agricultural methods

Property Rights / Class Relations

subsistence farmer farm to meet the needs of themselves & family yeomen middle-low ranking nobels who held land through purchase class conflict with new land system	medival open fields → common lands → subsistence farmers enclosure one of the reasons of agricultural revolution ↳ sheep → wool → demand for wool new farmers • tenants • producing for markets two interpretations of this process neoclassical - institutional marxist ↳ because of class conflict dispossession of people from their livelihood ➡ both interpretations associate new property rights with higher innovation *** farmers getting dispossessed, they are not able to stay at land ↳ farmers moving from villages to towns ↳ rising productivity level
---	---

medival open fields ⇒ enclosures, profit seeking


leads to class conflict

⇒ ~~Smithian~~ growth mentioned in multiple lectures

Contract institutions	Daughlas North institutional changes in western europe that make markets expand • contract institutions nationd provident funds life insurance companies private pension funds funded social pension insurance system
Property institutions	• property institutions
Smithian growth	Smithian Growth Arguments manifestation of the effects of increased market (population) size & interaction rates for socioeconomic organization, the diversity of tasks & tools and productivity (both individual & group level) * expansion of trade ↳ caused pre-industrial growth
economic growth model of pre-industrial societies	smithian growth mainly refers to economic growth promoted by division of labor, regional specialization & market expansion

expansion of trade ⇒ pre-industrial growth

Week 3 Questions

Market Relations Expanding does it always imply increase in productivity

secure property rights

Accumulation/ Competition

Exploitation

how is competition relevant for economic growth

Week 4

Wallerstein, From Feudalism to capitalism
transition or transitions

Transition Debate

Pomeranz

Robert Allen

(later will see there was

Smithian growth also
in some parts of China)

British

agricultural revolution

- ↳ Marxian discussion about the rise of capitalism
- ↳ neoclassical institution interpretations of "Smithian growth"

Marxians $\Rightarrow$ interested in the rise of capitalism

↳ Wood $\rightarrow$ rise of capitalism in England is about
productivity increases

$\Leftarrow$ [$\rightarrow$ the result of rise of capitalist relations in England
in 17th cc increased production

Smithian Growth

- peculiarly European thing
- usually used in explaining how certain regions
grew in a sustainable matter before industrial
revolution

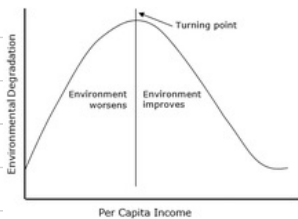
* called Smithian because Adam Smith emphasized
the role of markets in the growth

as markets $\Rightarrow$ division of $\Rightarrow$ source of
expend labor & specialization growths

Kuznetzian Growth

As economy develops, market forces first increase
then decrease economic inequality

Kuznet Curve



transition from feudal to capitalist system happened
through the export markets

Mode of Production

changes in * class relations * mode of production	Usually in orthodox <u>marxian</u> thinking change in feudal to capitalist change happens in <u>rural europe</u> & changes in <u>country side</u> mode of production: everything that goes into production of the necessities of life, including the "productive forces" (labor, instruments, raw materials) and the "relations of production" (social structures that regulate the relation between humans in the production of goods)
landlord / serf relations	5 modes of Production • primitive society • slave society • feudal society • capitalist society • socialist society
Feudalism ⇓ Tenants ↳ yeomen	Feudalism landlords / serfs → emergence of wage labor their relations are mediated in the market ← have economic / social obligation → depend on extra economic factors Feudalism → Tenants Yeomen: farmer but don't have traditional landlord characteristics
transition from market expansion	feudalism to tenant system allowed

Marxian Narrative

→ emphasis on the class conflict

enclosures

appropriation of "waste" or "common land" enclosing it and by doing so depriving commoners of their rights of access & privilege.

→ property is defined as private property

enclosure system meant misery for lots of peasants

Why England?

England was effectively unified it had a distinctive political centralization

why 16th century?

black death

in contrast ottoman empire

ottoman empire

[- internal customs

[- feudal dues

iceride gümruk

iceride gaski
karak birliler
var

lack of integration of national market compared to England

Henry the III killed small local lords & lots of people but was able to centralize England

enclosures

↓
private property

England

→ integration of markets

↳ other empires of the time were not able

16th cc

↳ black death

transition from feudal system to enclosures created a class conflict

England was able to transition early because had more unified markets compared to other empires of the time

Market Integration

tax collection



better integration

provisioning

market integration

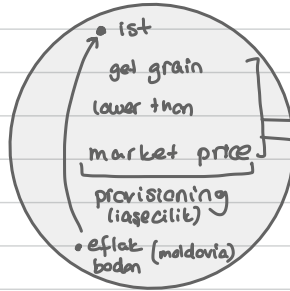


price convergence

better institutions
are good for
neoclassical model

tax collection

was very limited before king asserted his power over landlords → market integration
↳ more tax collection



Ottoman empire

→ this is net market integration
→ it is redistributive

* seen also in France
& other big cities

market integration → price convergence

a trader sees the profit opportunity & buys lower & sells for a profit

when prices in different regions get closer we can understand there is better market integration

* enclosures are good for neo-classical institutions

tax collection developments were a sign for integration
price convergence is another indicator of integration

Institutions

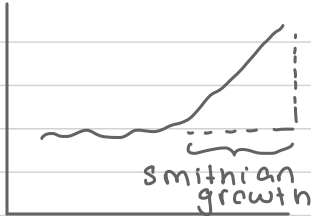
good institutions ⇓ trust in the system ⇓ secure property laws	World Bank (WB) credit is conditioned upon policy change before 90's In 90's & 00's → focused also in institution Capital accumulation & growth ⇒ good institutions importance of good institutions Secure property rights ⇒ safe against other people & state
political centralization ⇓ gets power away from lords	Hernando de Soto Mystery of Capital ⇒ there is property in less developed countries but that property does not have the quality of Capital ↳ used for investment & production
market integration & fiscal capacity increase	Daron Acemoglu institutionalist ideas ↳ political centralization power of lords ↓ market integration ↑ fiscal capacity ↑ by the 17 th cc England had a unified wheat market ↳ because England is
compared to France	why? : state removal of internal customs by building infrastructure - river navigation - security - Standardization of measurements - courts ← smaller & an island in this case it is better

Marxian Strand

capital ↓ wage labor	origin of capital capital as a social relation reproduced by the continuous expenditure of wage labor
primitive accumulations ↳ enclosing ↳ colonization	capitalist relations Under capitalist relations of production, labor is also private labor that in its totality forms the social division of labor, and thus must become social labor through the exchange of commodities according to their value
accumulation by dispossession ↳ people driven out of their land	primitive accumulations entailed taking land, say enclosing it, and expelling a resident population to create a landless proletariat and then releasing the land into privatized main stream of capital accumulation ↳ enclosures ↳ colonization
	David Harvey the new imperialism => process of accumulation by dispossession accumulation by dispossession: people driven out of their land by government/ companies

Later Marxist writings like Rosa Luxemburg emphasize that this primitive accumulation never disappears in capitalism it is an ongoing process => they point to continuing use of force in process through which capitalism expands

Overseas Expansion



Some narratives of great divergence focus more on this aspect

⇒ Smithian growth is not about country side but about Europe with respect to rest of the world & overseas expansion

1492 ⇒ Columbus arrived at America

Slave Trade

most important countries: Portugal & Spain
slavery / slave trade expanded greatly with overseas expansion

↳ important for cotton / sugar plantations
mass cotton ⇒ important in textile consumption industrial revolution

★ England was producing more value added goods

→ Slave trade was very profitable

mercantilism: producing things you can export

Slaves

↳ used in cotton plantations
↳ lead to industrial revolution

mercantilism

growth was achieved by overseas expansion because of slavery
there were slaves to work in sugar & cotton plantations which were the things that later led to industrial revolution

Week 5

Landes, On Western Culture

China X Europe	Unit of Analysis China X Europe as "Civilizations" Wallerstein's division of labor in a system there are places that supply raw goods (periphery) & that produce (core regions)
accident X characteristic	Landes's Argument it is arguing against the "history-as-accident" view (which is supported by Jack Goody) Jack Goody present Europe's success as some conditions forming as a result of luck Landes history is like pendulum (China is at rise again for ^{past} 30 years) → at 1000 China had the edge on science → around 1500 Europe two views history-as-accident X <u>deep characteristics</u> Landes's view
1) Why China did not adapt self sustaining	
2) Why it didn't emulate Europe	
	why not China? two questions 1) Why China ingeniously did not do what Europe did that involved self-sustaining 2) After seeing the European success why didn't it emulate

Why West not China has two arguments characteristics and accident

Landes supports it is because of characteristics of Chinese society

Q1

jesuits ↳ orthodox	Jesuits Orthodox Christians
government limitations	because protestants had achieved a reformation, they were trying to achieve counter reformation * were trying to achieve level of information that came with protestantism
locket market	1) why China ingeniously did not do what Europe did that involved self-sustaining government was too powerful & it limited the efforts of individuals → there were locket free market & institutionalized property rights → stifling state control → disapproved of self-enrichment
Ming Dynasty ↳ exploration trips	Ming Dynasty 1405-1435 Zheng He 7 different trips exploring Indian Ocean ↳ * explorations were later prohibited & punished ↳ unproductive use of man power Merchantalism occurs in very high interstate competition → East India Company

markets



incentives

Max Weber

thrift > good christian
work-behaviour > behaviour
religion says how you reach afterlife

→ another argument could be
why europe changed

markets means incentives

why china did not catch up
superiority complex

Chinese identity was based on superiority

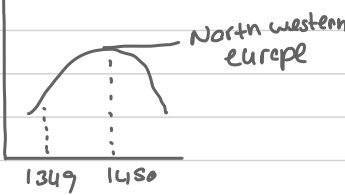
china lost => signed Nanking 1842
the opium war Treaty

abundance of factors of production
↳ have implications on incentives

Week 6

Pamuk, The Black Death and the
origins of the "Great Divergence"
Demoor, Girl Power

Real wages



black death → institutional → changes that made
→ structural → industrialization possible

black death was an **exogenous** shock

↳ note: there may be some endogenous factors
since before there was continuous growth & strain
on resources

★ a gap emerging between northern & southern
Europe

Amsterdam
Antwerp
London

→ leading European
cities

→ Istanbul's real wages were similar to southern
Europe but 1/3 of leading European cities

Hajnal Thesis (demographic regime changes)

Hajnal line divides Europe in two areas characterized
by different levels of **nuptiality**. to west of line, marriage
rates & thus fertility were low, and significant minority
of women married late or remained single. to the east of the
line in the Mediterranean and select pockets of NW
Europe, early marriage was the norm and high fertility
was countered by high mortality

nuptiality: frequency
of marriage within a
population

Hajnal line



black death lead to changes in Europe structural & institutional
it was an exogenous shock but there may be some endogenous characteristics
since population had grown excessively
it was the period that gap between southern & north western Europe started

Demographic Regime Changes

increased mobility	increased mobility of labor $\Rightarrow$ after black death $\hookrightarrow$ increase in rural industries $\hookrightarrow$ putting-out-system / domestic system
putting-out-system	production system widespread in 17 th cc western Europe in which merchant-employers "put-out" materials to rural producers who usually worked in their homes but sometimes laboured in workshops or in turn put out work to others
guilds $\hookrightarrow$ kind of monopolistic	Guilds (monopolar) Set quality standards & prices in a realm of production or trade $\rightarrow$ has monopolistic / restrictive features
Poland $\uparrow$ unlike rest of NW EU serfdom continued	Antidote of North Western Europe: Poland similar things happened but landlords were able to enforce obligations of servitude $\Rightarrow$ "second serfdom"
2 nd serfdom	internal terms of trade: $\left[\begin{array}{l} \text{relative price of agricultural goods} \\ \text{relative price of manufactured goods} \end{array} \right.$ $\hookrightarrow$ about income elasticity of demand * real factor prices

After black death demographic changes in Europe created labor mobility also putting-out-system $\Rightarrow$ entrepreneur bought wool, took to cottages $\Rightarrow$ subsistence farmers had little to do in winter $\Rightarrow$ then entrepreneur got tread and to another family to make it cloth $\Rightarrow$ take it to city to sell

Agriculture

higher wages ↳ labor saving technologies less people ↳ less labor intensive techniques fewer people ↓ market flexibility ↓ rents decrease ↓ new landlords (not aristocrats) ↓ incentive to increase productivity	$\frac{m.P_L}{P_L \uparrow} = \frac{m.P_{Land}}{P_{Land}}$ ↳ Ceteris paribus a higher wage will induce labor saving technologies ↳ increase in productivity in agriculture Structural Change → Agriculture becoming less important because it became more productive industrialization rate used as a proxy for income is seen as an indicator How can we relate black death to higher productivity? because there are fewer workers, there is incentive to use less labor intensive ways Class size [fewer workers → more labor market flexibility → rent going down → new landlords are not aristocrats ⇒ more inclined to increase productivity interest rates When factors is abundant interest rate goes down *serfdom is strengthened by the world system
---	---

Black death brought structural changes because so much of the population had disappeared. The wage rates rose so there was incentive to use less labor intensive techniques. Also labor mobility increasing, driving rents down, it meant that new landlords were not aristocrats & had incentive to increase productivity.

EMP

(European marriage pattern)

	Hojnat Thesis (EMP) Werner Conze → wrote about fertility patterns He was a nazi, had a very racist paper about slavic nations supporting ethnic cleansing
neolocality	neolocality
patrilocality	married couples move to some other place (authority of parents lower)
more autonomy for women in EMP	marriage by choice / consensus later / no marriage later marriage = lower fertility age gap between man & women are smaller gives more autonomy to women
dowry ⇒ detail	China x England • early / universal marriage • late marriage • high celibacy • high general fertility • low general fertility • low marital fertility • high marital fertility Daughters Inheritance south start of marriage dowry north her parents death (intergenerational inheritance)

with EMP, celibacy and late marriage became common in NWE
In contrast China still had lower marriage rates and higher general
fertility. In Southern Europe marriage age was still low

EMP

(European marriage pattern)

EMP

Catholic church
inheritance systems
labor markets

human
capital



literacy/numeracy

Reasons of formation of EMP

- ① ideological change $\Rightarrow$ Catholic churches
- ② inheritance laws
- ③ excess to labor market $\Rightarrow$ black death made it possible it was the structure of northwestern market that lead to developments

larger labor markets enabled women to relocate & sustain their life

How does this article relate to divergence?

- 1- High EMP $\Rightarrow$ increased labor force participation rate
- 2- Quality-quantity trade off of offspring
literacy/numeracy rates $\Rightarrow$ human capital contribute to overall productivity

EMP emerged because of Catholic church, inheritance systems & labor markets
Emergence of EMP meant lower fertility which increased investment to human capital. $\Rightarrow$ literacy/numeracy rates were higher

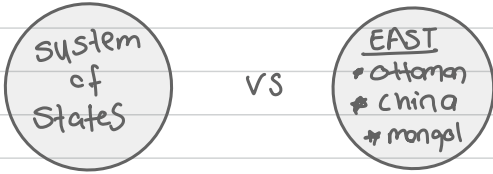
Week 8

Vries - Governing Growth: A comparative Analysis of the Role of the State in the Rise of the West

nascent: just coming into existence beginning to display signs of future potential	Absolutism A political system in which a single monarch usually a king/queen holds complete and unrestrained power over a country Rise of Absolutist State According to Landes Chinese State controls everything and didn't allow markets to operate → According to Smith trade between countries was a zero-sum game → nascent middle class (in England after feudalism got weak) * Northwestern Europe was heterogeneous in terms of state capacity Glorious Revolution England got a parliament, & constitution Bill of Rights Glorious revolution refers to series of events in 1688-9 which culminated in the exile of king James II and accession to the throne of William & Mary. * It led to establishment of an English Nation that limited the power of the king & provided protection for English subjects, Bill of Rights established a constitutional monarch, parliament opened
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Absolutist states changed, England after the glorious revolution got a constitution & parliament taking some of power of monarch

Concepts

System of States	 The diagram shows two circles. The left circle is labeled 'system of states'. The right circle is labeled 'EAST' and contains three bullet points: 'ottoman', 'china', and 'mongol'. Between the circles is the text 'vs'. Below the circles, two arrows point to the right. The first arrow points to the text 'competition among states'. The second arrow points to the text 'political activities were structured and governed differently from east'.
Social Darwinism Survival of the fittest in human species	Social Darwinism interperation of Charles Darwins "survival of the fittest" into politics, economy & society many social darwinist embraced laissez-faire capitalism & racism
Neoclassical Econ. perfect competition market	Neoclassical Economics broad theory that focusses on supply and demand as the driving forces behind the production, pricing & consumption of goods & services problems: what we observe in western-european system of state was not perfect competition it was

opposite of perfect competition. Historically, the theory of perfect competition doesn't have much to do with growth or innovation

- Firms engage in strategic behavior in imperfect competition markets

Absolutist States

England



↳ delegate authority
center - local agent
conflict of interest

Principle - Agent problem

process of wealth creation

ganimet

tax/debit

Reasons of Rise of Absolutist States

- permanent bureaucracy
- Fiscal Capacity (rising middle class, increasing tax per capita)
- codified laws/courts
- Standing Army

What Makes European Absolutist States Different from Empires?

- 1- Empires were much more decentralized compared to small countries
- 2- Wars → increase fiscal capacity
increase administrative capacity
war making is state building

↳ **mercantilism** → national power ↔ national wealth

↳ **mercantilism** → trade (trade surplus) $X - IM > 0$

Production / Protectionism → customs

EAST INDIA Company (monopoly)

(restricting entry) → monopoly

these monopolies created very high profits (Rant)

in Ottoman

← **bounty** / agriculture but in mercantilism trade is the source of wealth

* **Fiscal capacity was much higher in Europe compared to ottoman and China**

Principle Agent Problem

Conflict of Priorities between a person or group and the representative authorized to act on their behalf

Week 9

Kenneth Pomeranz - Political Economy and Ecology on the Eve of Industrialization: Europe, China & Global Conjunction

smithian growth mainly refers to economic growth promoted by division of labor, regional specialization & market expansion	Kenneth Pomeranz → Great Divergence ↳ California School • California State Schools have academics with similar views on great divergence
→ no significant difference between Europe & China until 1750's according to Pomeranz	1750's → there wasn't any significant difference between China & Europe that would explain great divergence Against Smithian Explanations Narratives of Industrial Revolution ↳ 1970's industrial revolution as a fundamental & sudden break from before - British in origin → global trade - Key Industries (cotton, coal, iron & steel)
Narratives of Industrial Revolution ↳ 1970's → sudden break ↳ Gradualist ↳ slow process	↳ "Gradualist" industrial revolution is the result of long & slow process ⇓ Pomeranz argues against - emphasises narratives regarding smithian growth market expansion - many small innovations - Europe (not specifically England) ★ Eğer avrupada 16-17-18th cc de olan ve içinde olmayan bazı şeylerin endüstri devrimini açıkladığını düşünürsen gradualist account

Pomeranz Argues against Gradualist accounts of Industrial Revolution. He believes that there were no inherent differences between China & Europe until 1750

Europe vs. China

Industrious Revolution A period in early modern Europe between 1600-1800 in which household productivity and consumer demand increased despite the absence of major technological innovations that would mark the late Industrial Revolution	One-Sided Comparison ⇒ between Europe & China Two-sided Comparison ⇒ Why did Europe not end-up like China? ⇒ When comparing Europe & China, compare more developed parts of China with more developed parts of Europe ⇒ like Yangzi River / Delta With what evidence does Landes say's China & Europe were similar <u>Europe</u> Jan de Vries → gradualist arguments "industrious → people become more industrious + revolution" before the industrial revolution <u>proto-industrialization</u> = cottage industry = putting out ↳ a rise in rural industries, guilds in the urban centers, consumption patterns are changing ↳ more demand for non-essential items * proto industrialization can be also found in China ↳ no proto-industrialization in Denmark but more labor intensive ↳ Landes talks about this to show differences among Europe
Proto-Industrialization regional development, alongside commercial agriculture, of rural handicraft production for external markets.	

Gradualist arguments suggests that people become more industrious before the industrial revolution. This happened through proto industrialization and more industries, people's consumption patterns were changing, more demand for non-essential items

Europe vs. China

proto-industrialization ↳ population increase	Ecological Constraints → happened in all places China Netherlands Europe } proto-industrialization] population increase
What made England different— 1- Coal 2- Colonies	Denmark (Leven) → proto-industrialization is key to the escaping Malthusian trap → Pomeranz against this argument ↳ proto-industrialization is not enough to escape Malthusian trap
Involution ↳ Clifford Geertz	What are those things that differentiate England 1- Coal → fortuitous location of coal 2- Colonies → relation between core & periphery are different between England & China
	Sides of This argument that are not convincing Involution: was coined by anthropologist Alexander Goldenweiser, and describes a culture that cannot (or does not) adapt and or expand its economy, but continues to develop only in the direction of internal complexity and inefficiency Clifford Geertz

Pomeranz believes that proto-industrialization is not enough to escape the Malthusian trap. What differentiated England was the location of coal and its relation with its colonies.

Week 10

Allen, Why the industrial revolution was British: commerce, induced invention and the scientific revolution

Gradualist Accounts → slow gradual process to industrial revolution

↳ Cultural explanations (Landes)

↳ demographic arguments explain different aspects of society that makes Europe different

⇒ institutions: flexible institutions led to labor mobility

involution ⇒ there is a population increase in China
↳ Stronger Malthusian Pressure

self-exploitation ⇒ people working more on the same land (intensification of production)

Sumptuary Laws
regulations about consumption of things

Pomeranz → Compares prices of staples ^{wheat} rice
↳ Chinese peasant were comparable to Europeans
Allen disagrees

erode in Europe ←

Sumptuary Laws

Purpose:
to preserve already existing hierarchy

[drawn up by city officials that were appointed specifically to control dress, defined by the types, quality and quantity of items that each social group was allowed to wear, from silk gowns and velvet trims to hats, gloves and strings of pearl

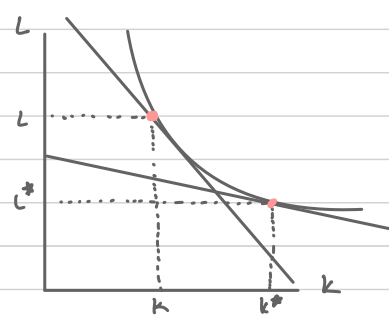
Cotton-flax
-Wool } fiber

What Pomeranz Ignores

- * war making leads to development
- * Does not talk much about middle classes, he talks only about similarities in elites
- colonies ⇒ england is able to import new world cotton for england, the long distance trade is with the colonies
- ↳ Coercion ⇒ core - periphery relation
- ↳ In China, chinese periphery is a free-labor periphery

Allen's Article

high wages → demand for labor saving
firms have an incentive to invest in labor saving inventions
education will increase the supply of inventors → industrial revolution



$$\frac{MP_L}{P_L} = \frac{MP_K}{P_K}$$

$$P_K K + P_L L = \text{a constant number}$$

- * different relations between colonies
- * not talk much about middle classes → Pomeranz
- * war making leads to development

Week 11

Anatolia & Egypt during the 19th cc. - Pamuk

Colonialism a country physically exerts complete control over another country vs Imperialism formal or informal economic and political domination of one country over the other ⇓ colonialism → the practice imperialism → idea behind practice * imperialism of free trade *	Imperialism Unequal relation between developed capitalist and less developed core countries asserting power on periphery Colonialism 19th cc during & after industrial revolution foreign control of assets & decisions of another region formal → a country is not recognized as a separate country laws/written text that makes you a ruler of another region informal → not a colony but its assets are shaped by great powers of Europe Imperialism of Free Trade → Gallegner & Robinson ↳ mostly after 1850's imperialism of free trade was a 19th cc. English political movement that advocated a primary focus on commercial domination rather than formal colonization Scramble for Africa Various Europeans trying to get parts of Africa
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Imperialism is the unequal relation between the core & the periphery
Imperialism is the idea behind the colonialism. Colonialism can be formal or informal
formal → ruler of the new country
informal → ruler of the assets

Scramble for Africa

	Reasons
2 nd industrial revolution	* risen nationalism * 2nd Industrial Revolution
transportation chemical electricity telegraph ↳ high setup cost ⇓ economies of scale ⇓ natural monopoly	also known as the technological revolution was the phase of rapid scientific discovery, standardization, mass production from the late 19 th cc into 20 th (1870-1914) ↳ transportation ↳ chemical industry ↳ electricity ↳ telegraph
⇒ late comers Germany & Japan ↳ exelabrated ⇓ R & D	→ Germany's power on 2 nd industrial revolution related to its ability to research and desing ↳ higher economies of scale high inivisiabale setup costs ⇒ economies of scale ⇓ ↳ mobile service ↳ TV service high economies of scale ⇓ natural monopolies
	Late Comers Germany } conditions for industrilization Japan } is different ** heightened rivalry **

Scramble for africa was because of high nationalism & 2nd indutrial revolution, new technologies electricity, telegraph, train etc and high-set-up-cost → monopolies → since economies of scale. Germany exelabrated in 2nd industrial revolution because of its ability to research & design (R&D)

J. Habsen

one of the best examples of imperialist ←	Imperialism: A study (1902) The Second Boer War (1899-1902) → British invaded south Africa ↳ needs of a capitalist oligarchy trying to preserve profits given "maldistribution of wealth in a high capitalist country" 1- maldistribution of income → chronic under consumption 2- Large Firms / monopolies → Rent Seeking
Foreign Direct Investment capitalist has to overcome under consumption ↙ raise wage ↘ expand market	FDI → foreign direct investment because of these 2 things FDI becomes a escape for these firms to preserve their profits firms gets into different markets FDI is good for domestic capitalist to extended its business abroad Lenin (1916) market integration as a fact of imperialism World War is related competition among imperialist countris Its natural for capitalism to extend into non-capitalist countris

Capitalists has to sell a certain amount to use economies of scale but since there is underconsumption unable. Capitalist can either expand to foreign market or raise wages. Domestic capitalist expands abroad to keep profits

Pamuk's Article: Periphery

deindustrialization

labor

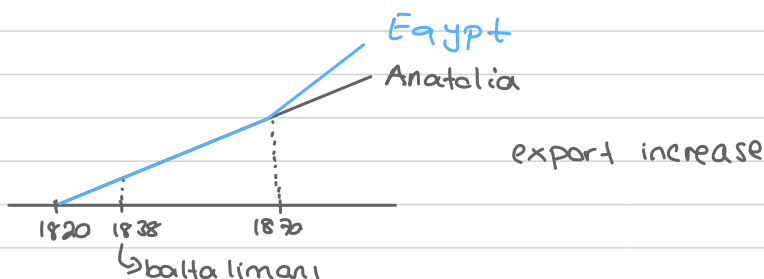
↳ traditional industries

↓

agriculture

terms

of trade



manufactured goods are produced for a cheaper price

price of manufactures by England is going down

↳ pamuk calls

↳ induces a process of **deindustrialization**

deindustrialization — demise of industries in industrial nation
— uses to tell demise of *geleneksel sanayi* (traditional manufacturers)

labor moves from traditional industries to agriculture

$\frac{P_{\text{exports}}}{P_{\text{imports}}}$ ↑ } external terms of trade

terms of trade favors agriculture goods in ottoman empire/egypt

Pamuk's Article: Periphery

Ottoman & Egypt $\Downarrow$ debted from Europe	Yed-i Vahit Tariffs became much cheaper for English with balta limani after 1870's
Egypt $\rightarrow$ to agriculture Ottoman $\rightarrow$ infrastructure	Egypt - became a colony - increase in only cotton $\rightarrow$ mono crop Anatolia - never became a colony - more than one crop & cotton $\Rightarrow$ much more diverse
Yed-i Vahit	Ottoman Empire had commercial laws like Europe Ottoman Empire $\Rightarrow$ most of the foreign debt went to the railroads & infrastructure
OPDA	Egypt $\Rightarrow$ to agriculture first ottoman foreign debt $\rightarrow$ 1856 $\hookrightarrow$ bankrupt after 20 years OPDA $\rightarrow$ Ottoman Public Debt Administration $\hookrightarrow$ duyunu- umumiye

Both Ottoman Empire & Egypt Debted to Europeans though they used it differently. Ottoman Empire used it mostly for infrastructure while egypt used it for agricultural purposes

Extra Notes

Imperialism

Unequal relationship between developed and underdeveloped countries

→ Core countries have power over periphery
16th- 17th cc European countries accumulating colonies. But when Imperialism is talked about * (New Imperialism) in 19th cc period during & after industrial revolution

Foreign control of assets

↳ This can be formal (law, text that make the country the ruler of another country.

Britain ⇒ Egypt, France ⇒ Algeria

This can also be informal, Ottoman, China

Use of military power over political markets

Especially in formal diplomatic, political, military power

Imperialism pressure to open up markets to

trade "imperialism of free trade" (Gallagher & Robinson) depends on force and pressures.

Promote free trade ideal 1850

Scramble for Africa

Dominions of European countries.

All imperial ventures are very costly. Why are we seeing this? Relating imperialism with nationalism. French leaders saying that we are taking civilization. But this is not enough. Industrial rev & capitalism is another important aspect

2nd Industrial Revolution $\Rightarrow$ transportation innovations of ind. rev. expanding to other fields like transportation, chemical industry, electricity, telegraph
Requires higher engineering and information
Research & Design (R&D) $\uparrow$, sectors have higher economies of scale (sectors with high indivisible setup costs)

You need a larger markets to make profit & cover the costs. In these sectors there are not enough room

First phase is different than 2nd phase

late Commer

late late Commer

Germany

Japan

Russia

} conditions of late commerce is different

It may be an advantage for them.

19th cc imperialism is a result of 2nd Ind. Rev. Where there are other countries such as Germany. This suggests an increase in rivalry. Because, they have to sell what they produce. "Profit" capitalist countries would like to profit from what they produced

J. Hobson Imperialism: A Study (1902)

The Second Boer War (British) South Africa invasion

"main reason of imperialism is not nationalist aspect, but capitalist oligarchy that trying to preserve profits given

* maldistribution of wealth in a high capitalist countries

Cons: demand is not increasing, not catching up with the supply industrial rev. because income distribution unequal

under consumption because people can't afford goods

Large firms / monopolies, rent seeking involve to encourage states to imperialism

Rent Seeking: preserving entry barriers to protect the monopoly

Week 12

-Article Not Included-

Solow-Swan Model

exogenous growth model

explain LA economic growth by looking at capital accumulation, labor or population growth, and increase in productivity driven by technological progress

* Cobb-Douglas

→ lagging behind economies grow faster

Catch Up - Falling Behind

Catch-up theory of economic growth

- Catch-up effect is a theory that developing economies will catch-up to more developed economies in terms of per capita income
- based on the law of diminishing marginal returns, applied to investment at the national level, and the empirical observation that growth rates tend to slow as an economy matures
- Developing nations can enhance their catch-up effect by opening up their economy to free trade and developing "social capabilities" or the ability to absorb new technology, attract capital and participate in global markets

Convergence is the hypothesis that poorer economies per capita incomes will tend to grow faster than richer ones. **Solow-Swan growth model** economic growth is driven by the accumulation of physical capital until this optimum level of capital per worker "**steady state**" is reached

where output, capital, consumption are constant
Developing economies tend to develop faster. Big economies tend to slow down because of diminishing marginal returns

Growth

little divergence | modern economic growth



Smithian growth

(productivity, despite population pressure)

modern economic growth

↳ driven by knowledge

Little Divergence

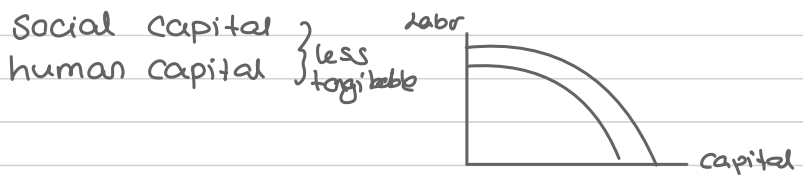
Process of differential economic growth within Europe in the period between 1300 and 1800 during which the North Sea area developed into the most prosperous and dynamic part of the Continent.

Modern Economic Growth Theory

Modern growth theory views the discovery of new knowledge as the key driving force underlying economic growth

Industrial Revolution created a big change immediately → steam power

Economic Growth ⇒ Production Possibility Curve



TFP → Total Factor Productivity

Contribution of human capital & increase in working hours

Little Divergence Occurred between 1300-1800. It made it more distinct between the northwestern & southern Europe. Modern Economic Growth theories emphasize the importance of technology. Smithian growth occurred despite the population pressure.

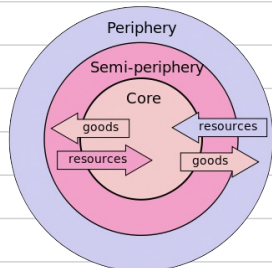
Development Stages

5 stages of development traditional society preconditions to take-off take-off drive to maturity mass consumption big push $\rightarrow$ big investment in multiple sector "balanced economic growth" underdevelopment capital deficiency $\uparrow$ low productivity low investment $\leftarrow$ low income low savings $\leftarrow$	Capital Deepening Capital per worker is increasing in the economy. Also referred as increase in Capital Intensity measured by $\rightarrow$ rate of change in capital stock per labour hour W.W. Rostow 5 Stages of Development • traditional society • preconditions to take-off • take-off • drive to maturity • age of high mass consumption Vicious Circle Theory Assumes that people of less developed countries save little or nothing since they are poor. Since savings are low, investments are low. low investment means low productivity levels with low productivity people will always remain poor
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There are 5 stages to development according to Rostow.

Vicious cycle theory explains why underdeveloped countries stay that way because incomes are low savings are low as well and investment is low accordingly meaning low production

Dependency Theorists



Delinking

linking away
from the current
system

* Dependency
Theorists *

Hirschman backward forward linkages

A **forward linkage** is created when investment in a particular project encourages investment in subsequent stages of production.

A **backward linkage** is created when a project encourages investment in facilities that enable the project to succeed

Dependency Theorists < liberal reformists
neo-marxists

typically advocate for targeted policy interventions, while the neo-marxists believe in a command-centered economy

Celso Furtado

↳ state protectionism

"development of underdevelopment

Ander Gunder Frank

Delinking

refusal to submit to the demands of the world-wide law of value or the supposed 'rationality' of the system of world prices that embody the demands of reproduction of world capital

forward linkage is created when investment in a project encourages investment for subsequent stages of production
backward linkage is when investment in project results in investment for facilities of project

Week 13

Ha-Joon Chang - Kicking Away the Ladder

infant industries a new industry, which in its early stages experiences relative difficulty or is absolutely incapable in competing with established competitors abroad	the now developed countries used tariffs & subsidies to protect infant industries this is why they were able to develop & later open-up for free trade
microeconomic stabilization attempts to stimulate an economy out of recession or constrain the money supply to prevent excessive inflation	Washington Consensus Set of 10 economic policy prescriptions considered to constitute the "standard" reform package promoted for crisis-wrecked developing countries by Washington based institutions such as IMF, WB, United States Department of the Treasury → promoted free-market policies → microeconomic stabilization → expansion of market forces within the domestic economy
Corn laws ↳ to protect infant industries	Article's main idea Developed nations were able to develop because of more protective policies in trade CORN LAWS (1815) tariffs on cereal grain imported from other countries such as wheat and maize to favor domestic agriculture → after corn laws were lifted Britain became the ruler of modern world

Although under-developed nations are encouraged to adopt open-market policies, developed nations of today were able to grow because of protective laws

Trade Laws

"Good Institutions"

One found in developed countries

→ democracy

→ good bureaucracy

→ independent judiciary

→ Private property rights

→ independent CB

→ transparent & market oriented corporate governance and financial institutions

ITT (interventionist industrial, trade, and technology) policies

Bretton - Wood System

Established the rules for commercial & financial relations among the United States, Canada, Western European Countries, Australia & Japan.

→ 1st example of a fully negotiated monetary order intended to govern monetary relations among independent states

→ Requires countries to guarantee convertibility of their currencies to US dollars within 1% fixed parity rates.

General Agreement on Tariffs & Trade (GATT)

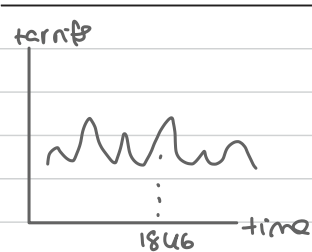
Signed by 23 countries, after WW2 and became a law in 1948

→ purpose was to make international trade easier by reducing or eliminating trade barriers such as tariffs or quotas

In 1995, GATT was absorbed into world trade organization

Wool Act (1699)

Act of the England Parliament to prevent the Exportation of Wool out of the kingdoms of Ireland & England into foreign ports and for the encouragement of Wool manufacture



it was never a
steady liberal
process

Wool Act

- 1- import duties on raw material used for manufactures were lowered
- 2- Duty drawbacks
- 3- Export duties ↓ > especially final goods
- 4- Import duties ↑
- 5- Export subsidies
- 6- Quality measurements

Karl Polanyi

↳ lessens faith with state intervention

* US never followed liberal policies as much as UK, it was always more protectionists though protectionism may lead to decreased productivity

⇒ Bugüne free-trade ile geldiği aldatıcıdır diyor yazar, Amerika & İngiltere korumacı politikalarla geliştiler

Week 14

Nathan Nunn - Culture & Historical process

persistence literature looking at the affect of a historical event on today culture ↓ beliefs/values heuristics: a mental shortcut used to simplify problems and avoid cognitive overload	Persistence Literature Economic Development ← historical events ↓ culture → sort of a black box in economics democracy deficit: occurs when ostensibly democratic institutions (particularly government) fall short of fulfilling the principles of democracy in their practices or operation where representative and linked parliamentary integrity becomes widely discussed. ↳ political institution in middle east ↳ early Islamic Institution (700's) when talking about → beliefs/values culture we talk about culture (according to Nunn): a form of heuristics or rules of thumb that aid in decision making When we talk about heuristics or rules of thumb we are talking about strategies to avoid cognitive overloads, these are mental shortcuts we create
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Culture is composed of beliefs that help us guide daily life
According to nunn its heuristics or rules of thumb we learn

Analysis

herbert simon ↳ wrote first time about concept of bounded rationality bounded rationality ↳ we don't always act rationally 2 types of analysis 1- Experiment 2- Game	Bounded Rationality → Herbert Simon Describes the way that humans make decisions that departs from perfect economic rationality, because our rationality is limited by our thinking capacity, the information that is available to us, and time. Instead of making "best" choices, we often make choices that are satisfactory Prisoners Dilemma a situation where two parties, separated and unable to communicate, must each choose between cooperating with the other or not. The highest reward for each party occurs when both parties choose to co-operate 1st type of analysis: Experiment 1- ultimatum game ↳ person A & B ↳ distribute the money 2nd type of analysis: Game 2- Nisbett (2003) 3- Same environment (Fisman & Miguel (2007)) ↳ different backgrounds (UN building parking)
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humans don't always have the capacity to make the most rational decision. Most of the time we are not maximizing utility but we are satisficing

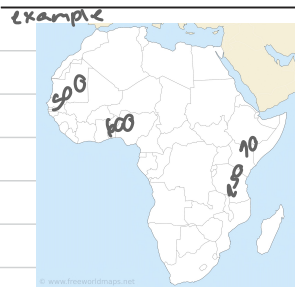
Methodology

Hoca: I want you to talk about methodology somewhere in the exam	<u>Experiment</u> <u>methodology</u>: there is a variable you want to explain $\Rightarrow Y$ $Y \rightarrow$ female labor force participation & fertility and an X $X \rightarrow$ female labor force participation in origin country & fertility rate in the origin country
important when trying $\leftarrow$ to establish causality omitted variables $\Downarrow$ control variables	<u>Omitted variables</u> $\rightarrow$ any variable not included as an independent variable in the regression that might influence the dependent variable <u>Control variables</u> $\rightarrow$ any variable that's held constant in a research study. It's not a variable of interest in the study, but it's controlled because it could influence the outcomes

Historical migration & Traditional Farming/Subsistence

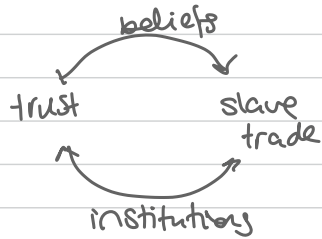
historical migrations ↓ herders to south ↓ violence culture in US south Farming ↓ Plough system ↓ Womens place in society smaller	Samuel Bowles evolutionary game theory <u>Can History Shape Culture</u> ⇒ Yes how history shapes culture 1) historical migration Cohen et al (1996) US South ⇒ "culture of honor" aggression & violence] ↘ because migrants were mainly celts/herders US North ⇒ come from farming communities herders ⇒ individual aggression to protect experiment: asshole - experiment ↳ how people respond to insult 2) Traditional Farming / Subsistence Alesina Giuliano & Nunn (2012) plough technology ⇒ needed upper body strength in places plough was used more heavily women were less in the work force ⇒ today in places plough was used heavily has more unequal norms <u>why these norms stayed when technology changed</u> socialization (childhood) how people talk to and approach children
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Africa's Slave Trade - Nunn & Wantchekon



number of slaves

→ most of slaves were taken from places closer to sea

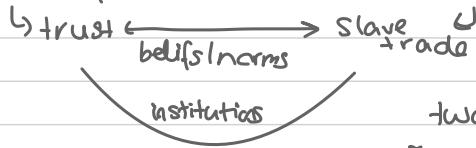


3) Africa's Slave Trade Nunn & Wantchekon

Transatlantic & Indian Ocean Slave Trade
2005 data from a research called Afrobarometer places that were more exposed to the slave trade they show lower level of trust
↳ heristic solution

most people were sold by their relatives

↳ dependent variable X → omitted variable



two mechanisms:

- * norms / culture transmissions
- * institution

public institutions ↔ because institutions are weaker in slave trade weaker people are not trusting public institutions

Why african people are less trusting? ⇒ because of slave trade. People were mostly sold by their relatives. Also because of weaker institutions people couldn't trust the courts or the government to protect themselves

Colonial Origins - Acemoglu



successful civilizations were found in places which are today less developed

*** Origin of colonizers ***

find a variable that doesn't explain Y variable (in this case mortality rate)

Colonial Origins, Acemoglu et al. (2001)

→ institutions Europeans carry

two types of institutions

1- Extractive Institutions

2- Participatory Institutions (secure property rights)

⇒ some colonizers had good institutions while others did not. This affected the colonized regions differently

• Since British & French had better institutions they took it with them.

*** Whether Europeans could settle in big groups** people who went to North would settle, and they were in larger quantities. People who came to South America came to control plantation etc. they came to extract in smaller populations

Instrumental Variable (IV methodology)

used to estimate causal relationships when controlled experiments are not feasible or when a treatment is not successfully delivered to every unit in a randomized experiment

It was important if the colonizers came to settle or rule. Those who came to settle carried their good institutions but those who came to govern used their extractive institutions. Amount of people that came was important too.

institutions were endogenous to cultural beliefs of the early immigrants

for the final I will ask you to write something open ended about how you can think about a research question

Türkiye için araştırmaya değer bir konu