Modern and Postmodern Economic History

Course Description

This course covers episodes from Global economic history over the last five hundred years. It will include topics such as: writing Global history and tackling problems like eurocentrism; the Great Divergence between Europe and Asia in which Europe developed and expanded at the expense of the Asian share of world GDP; the Needham question – why did China not have a scientific revolution? Why did not China, India or Japan expand into the Americas, Africa or Europe?; preindustrial economies and the state in early modern Europe; Malthus and issues of demography; the role of women in early modern Europe; proto-industry; agriculture; markets; Smithian growth through trade and Schumpeterian growth through technological change; technology and science – was tacit knowledge transmitted face to face by skilled artisans more important than the scientific revolution?; the military revolution and the costs and benefits of violent conflict; industrialisation, sources of energy and ecology; why did the industrial revolution occur in England?; did Imperial China suffer from a high level equilibrium trap?; mercantilism, long distance trade and European merchant empires; the Spanish colonial system, the treasure galleons bringing bullion from the Americas and causing inflation in Europe and China (via the Manila trade); the slave plantation economy of the American South and the American Civil War; the Mughal empire in India, the rise of the East India Company and the British Raj; the debate around gentlemanly capitalism, the imperialism of free trade and the Hobson-Lenin thesis of empire; British settler colonies and staple crops; Henry Ford and the moving assembly line; the Great Depression and the New Deal; the Gold Standard, inflation and central banks.

Course Aims and Objectives

This course aims to build on students’ prior knowledge and to encourage them to make broad comparisons across wide geographical spaces and chronological time frames. The course seeks to expose students to a wide range of historical subjects of relevance to the development of the world economy in the last five hundred years and to encourage them to gain the insight and analytical skills necessary to draw out key concepts and points. The course cannot aim to be in any way comprehensive in covering such a wide subject matter, and is necessarily selective in choosing particular historical case studies and concepts. Students will be expected to form their own conclusions as to which features of the history set out are of paramount importance, which were decisive in historical causation, and which are of the greatest contemporary relevance to those looking at the world economy today. Economists have a tendency to see contemporary problems in a rather short term perspective; students taking this course should gain a much needed macrotemporal perspective on the long term causes of divergent economic growth trajectories.

Postmodernism and its disciples reject the possibility of offering 'metanarratives' of the human experience, perceiving value only in the voices of the dispossessed and challenging the epistemological underpinnings of history as a discipline. Like many doctrinaire approaches to the study of our species postmodernism contains its own contradictions, for is not any methodology or system of thought which claims to be universal in its validity itself a meta narrative? Knowledge that is not to be fragmentary and incoherent requires marshalling into theoretical, explanatory or narrative frameworks. It is also difficult to posit philosophical reasons why one scale of comparison between social units, for example a village as against its neighbour, is intrinsically more valid than another such as England vs. Japan. Any boundary between an acceptable frame of comparison and one that is too wide is impossible to draw other than arbitrarily. The conviction that it is both useful and important to draw comparisons and chart connections across great distances of time and space has given rise to the field of global history – predominantly the domain of economic historians. The rising contemporary significance of transnational economic and cultural forces has urged the question how far back does globalization go? Looking at history in the long run and on a global scale is an onerous task beset with difficulties, but it is one that well rewards the effort and which offers unique insights and perspectives on the past. We shall start with the question of when globalization began, and put forward a toolkit of useful frameworks for analysing global economic change over time.

Seminar 1: China, the Needham Question and the Great Divergence.

The Great Divergence between Europe and Asia and its causes are central to global history. Why did early modern science and technology advance so far in Europe? Why did global trading empires emerge from the geographically small western end of the Eurasian landmass? Addressing the Needham question, why was it not China that developed early modern science? Why did not China, India or Japan expand into the Americas, Africa or Europe?

Reading:


Further Reading:


**Lecture 1: Malthus, Demography and the Cambridge School.**

* Malthus in his *Essay on Population* expressed a central problem of economic growth in the premodern (and perhaps modern?) world – populations he argued increase geometrically because of the irresistible ‘passion of the sexes’, which can only be restricted by famines or by preventative measures that control fertility (restricting sex outside of marriage and delaying marriage for example), while even in a growing economy food production can only increase arithmetically. Are populations doomed to grow beyond their food supply? Must they always eat up the proceeds of growth? How did they escape from the Malthusian trap and from subsistence crises?

**Seminar 2: Malthus, Population and the Food Supply.**

*The ideas of Malthus. Was pre-modern Europe afflicted by Malthusian crises or checks on population growth? The ideas of the Cambridge school — the importance of demography for development. How useful are Malthus's ideas in the modern era? Many are now inclined to say that Malthus was wrong because technology has rescued our species from the threat of continual checks on population growth, as evidenced by the massive increase in the world's population. However Malthus's fundamental insight is surely that we suffer from limited land and resources, and even if we discover untapped resources the fact remains that resources are finite. While technology may push up the 'ceiling' for the possible human population by allowing us to utilise resources more efficiently, there
remains a 'possibility-production frontier' for humanity as a whole that could only be escaped by infinite technological progress and ultimately an alchemical trick to make something out of nothing.

Reading:

Chapter 7, ‘Why poverty was inevitable in traditional societies’ in E. A. Wrigley’s (2004): Poverty, Progress and Population.


Further Reading:


Lecture 2: Is Europe Different? The Problem of Eurocentrism.

Given that specific regions within Europe became predominant through trade and imperial expansion how do we present a fair and balanced picture of the world? How do we deal with the problem of eurocentrism? How do we account for counterfactual alternatives to Europe's rise without seeing it as inevitable and thus embracing a form of historical determinism? If we redress the balance by emphasising economies that have been resurgent (China, Japan and India) in recent decades are we not equally guilty of emphasising some geographic regions and civilisations at the expense of others (for example, Africa)?


Contemporary debates over climate change, environmental damage and sustainability remind us to consider the development of economies not merely in terms of GDP and technological advancement but also to consider the ecosystems in which expanding human economies exist. Historical case studies point to the vast changes which can take place in the landscape through deforestation and species extinction, and to human populations through desertification, land exhaustion, drought and pollution. How can we recast the history of economic development to take account of ecology?

Reading:


Further Reading:


**Lecture 3: Adam Smith, Specialisation and Markets.**

*We will explore Smith’s great 1776 work An Inquiry into the Nature and Causes of the Wealth of Nations more commonly known as the Wealth of Nations. Smith was concerned with ethical questions as well as material ones, and yet recognized that ‘It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.’ Smith advanced the example of pin-making to reveal how specialization (which required exchange, and hence trade) could further advance human productivity. What insights did Adam Smith and other classical economists have into the nature of economic activity? Why did the idea of looking at the world through this prism arise at this particular point? And were classical economic theories, with their conception of ‘diminishing returns’ on capital investment already out of pace with the changes that were taking place in technology, energy and productivity at the time? Did Adam Smith expect growth through trade and specialization to peter out in Britain as it had done in the Netherlands?*

**Seminar 4: How Much do Religion and Cosmology Matter?**

*Even in our own time it is clear that religion is a force that cannot be overlooked. Economic models of migration take little or no account of belief systems and yet these can profoundly affect the choices made by individuals and families in society and the economy. We will explore case studies that remind us how significant religion can be, even when intermixed with material, political and other considerations.*

Reading:


Further reading:


Lecture 4: The Economic Costs and Benefits of Warfare, and the dynamism of the European Competitive State System.

Violence seems key to the competition between military-fiscal states engaged in almost unrelenting bouts of warfare across long periods of Western History. Does this seeming destructive enterprise actually account for the pace of European technological growth, as spin-offs from military technology follow and the cost of financing war puts ever greater strains on states while rewarding those whose institutional and financial mechanisms can best face the challenge? The shift between technologies of war that favour the offensive and the defensive is characteristic of global as well as European conflict up to our own age. Did the level of technology continuously redefine the optimal size of the competitive military-fiscal state?

Seminar 5: Cultural Embeddedness and Rationality Assumptions.

How rational and economically minded are human beings as actors? Has this changed over time? Do economists overestimate human rationality and overlook the importance of religion, cosmology, culture, and the pursuit of fame, power and artistic achievements for their own sake? If cultures matter and economic activity can be said to be ‘culturally embedded’ then how significant are differences between cultures in promoting, constraining and shaping the nature of their economic development and charting the path-dependent trajectories of societies, their institutions and their technologies (including information and communication technologies like written systems which can shape the way we think)?

Reading:
Lecture 5: Technology and Science: the ‘Blue Banana’. 

We shall explore the shifting locus of technological leadership from Renaissance Italy to Industrial Britain. Plotted on a map, populations, economic activity and scientific leadership appear to follow a line across Europe which has been characterised as the ‘blue banana’. Cultural, artistic and other creative energies seem to go in tandem with economic cutting edge technology – how do we explain efflorescences of creativity and dynamism? Was competition once again key? What about commercialization and trade?

Seminar 6: Warfare and Early Modern State Building.

What were the benefits of violence? What were the drawbacks of organized violence? How much damage did warfare cause in terms of lives, goods and effects on economic activity? Are states merely some kind of protection racket that attempt to hold the monopoly of violence? We will evaluate Parker’s concept of the Military Revolution and explore the relationship between war and the rise of European states. Did warfare accelerate the development of technology (through spin-offs from military technology) and revenue raising capabilities for European states? What is the validity of the economists’ concept of creative destruction and can it be applied to warfare? In the long term does armed conflict increase or decrease economic growth?

Reading:


Further Reading:

How important were energy deposits and sources to the massive increase in productivity through industrialisation? Does the location of coal, peat, forests, waterways and other geographic factors help to account for the timing and place of early industrialisation? Why did the Dutch golden age peter out? We will explore the ideas of subterranean forests and the transition from an organic economy.

Seminar 7: the Epstein Debate, Science vs. Technology?

How important was the scientific revolution for changes in the European economy? How important was tacit and experiential knowledge communicated directly by craft workers from one to another for the development of technology? Which was more important for generating Schumpeterian growth? And are the two really at odds anyway? If Epstein is right that early industrial growth was solely responsible for the technological improvements that drove economic growth can we still argue that a culture and a climate that reflected Europe’s interest in science was a vital part of the context for European economic takeoff in the long run?

Reading:


Further Reading:


If accessible please see Joel Mokyr’s (1990): *The Lever of Riches: Technological Creativity and Economic Progress*.

Lecture 7: The Industrial Revolution, the Game Changing Event in Global Economic History.

The Industrial Revolution is a term that has aroused much debate, because it is suggestive of sudden and dramatic change. As it happens the Industrial Revolution was a long drawn out process, but that does not overturn the revolutionary nature of the changes it caused. Resource scarcity, access to transport by sea and river, the demand for energy from a rapidly commercializing society with global maritime trading links and colonial possessions which increased commodification of articles of mass consumption, an agricultural revolution and demographic growth – all of these factors are impossible to ignore in the technological story of how the power and potential of coal was harnessed through the steam engine (invented to drain the coal mines of water), and how Britain became the most productive cotton textile producer in the world. The first country to industrialise would inevitably have a different experience than those who followed, but was it simply a story of England first and then diffusing the example and the technology so that others could follow?

Seminar 8: Early Modern Mercantilism and Empires of Trade

What is mercantilism? Who practised it and in what ways? The Chinese imported precious metals and exported commodities. Europeans had limited precious metals and a taste for spices and other commodities. The Islamic world was the intermediary for obtaining these goods prior to Portuguese exploration which lead the way to Asia. What was the significance of long distance trade? How important was the rise of European trading empires to global economic history? Did the Spanish achieve their purported monopoly in trade with their colonies in the Americas? Did the British attempt to regulate and tax trade with the 13 colonies in North America cause them to lose their first mercantilist empire? Did the British deindustrialise India? What economic changes and continuities existed with the rule of the Mughals? What was the impact on British-Indian legal and political institutions on the economy? How did the restructuring of land tenure and the Permanent Settlement
of Bengal (1793) affect the rural economy? How do we account for the decline in Indian manufacturing – was this an example of imperial mercantilism where the colony was forced to produce raw materials and purchase British value added manufactures?

Reading:


Further Reading:


Lecture 8: The Chinese Dynastic Cycle: Cosmology, Technology and the High Level Equilibrium Trap?

We will begin with a short account of Chinese technological efflorescence during the Song dynasty – was this a period when owing to a competitive state dynamic China was more vibrant? Successive Chinese dynasties can be seen as following a pattern of rise, golden age, decline and fall, understood through the doctrine of the ‘mandate of heaven’ – is this a valid framework for understanding pre-modern China? What were the cosmologies, religions and philosophies of China and do they help us to understand the patterns of long run Chinese history? Does China’s political system account for the successes of Zheng He’s voyages and the reversal and abandonment of the outward looking diplomatic and trading policy these voyages represented? Moving onto China’s economy – was China subject to a high level equilibrium trap? This could be characterised as a blissful sleep of plenty for a country that could largely meet its food needs and focussed on political contentment and safety
for its subjects. Why did it fall into complacency and see its share of world trade and proportion of global GDP fall so dramatically? Why the great expenditure on the Great Wall and the imperial adventures in Central Asia and what were the effects of these? We also return to the Needham question, why didn't science advance further in China with such a high base to begin from?

Seminar 9: The Low Countries and the Limits of the Organic Economy

Were early modern economies constrained by agricultural productivity and a zero sum game in sources of energy? How important were energy deposits and sources to the massive increase in productivity through industrialisation? Does the location of coal, peat, forests, waterways and other geographic factors help to account for the timing and place of early industrialisation? Why did the Dutch golden age peter out? We will explore the ideas of subterranean forests and the transition from an organic economy.

Reading:


Further Reading:


Lecture 9: Long Distance Trade, Mercantilism and Merchant Empires.

What is mercantilism? Who practised it and in what ways? The Chinese imported precious metals and exported commodities. Europeans had limited precious metals and a taste for spices and other commodities. The Islamic world was the intermediary for obtaining these goods prior to Portuguese exploration which lead the way to Asia. What was the significance of long distance trade? How important was the rise of European trading empires to global economic history?
Seminar 10: the Industrial Revolution, why England First?

One of the biggest questions in economic history – why did the industrial revolution happen? And why did it happen when it did and where it did? What were the advantages and disadvantages of being first? What was the significance and nature of the industrial revolution for global history? How did subsequent industrialisation occur in other countries?

Reading:


Further Reading:


Lecture 10: Spanish Conquest and Colonisation of the Americas, American Silver and the Manila Trade.
The search for Asia took the Spanish instead to the Americas, where they found precious metals and created a system for conveying gold and silver back to Spain. The Spanish did not understand inflation, seeing the value of gold and silver as fixed; their economy suffered from something akin to Dutch disease while they spent their treasure on fighting wars within Europe. Then there was the Manila trade with Asia via their colony, the Philippines. Spanish America became prey to pirates from northwestern Europe, especially the English, who along with the Dutch and French acquired sugar plantation colonies in the Americas oriented towards cash crops. What was the impact of the 'discovery' of the new world by the old? How did its integration into a new global economy impact on economic change?

Seminar 11: Modern Empire and Gentlemanly Capitalism?

Cain and Hopkins’ theory of Gentlemanly Capitalism has aroused heated and prolonged debate. How persuasive is their characterization of the nature of modern empire and British overseas expansion? What distinguished different phases of European imperialism and colonisation? What objections can we make to the theory of Gentlemanly Capitalism? And even if we accept the substance of their arguments is the term appropriate?

Reading:


Lecture 11: British Settler Colonies and the Search for the Staple – From the 13 Colonies to Australia.

Early European colonial endeavour looked for navigable rivers and entry points for trade and focussed on a combination of subsistence farming and the quest for the staple crop (tobacco in Virginia, sheep in Australia) which would be profitable enough for the colony to grow and prosper. What were the nature of white settler colonies? What determined the success of those settlement colonies that took off? How did they attract migrants from Britain and Europe? How did white settlers interact with indigenous peoples? How did settlements develop from colonies to dominions to self-governing democracies?

Seminar 12: The Imperialism of Free Trade?

Was imperialism primarily about trade? What kind of trade? Weren’t Europeans scraping the barrel with their limited levels of trade with their African colonies for example? Can forcing open markets
(as with the Opium War) be seen as free trade? What about informal empire and trade with countries outside of the colonial relationship? If we accept that there was an imperialism of free trade, how did it arise from systems of imperial mercantilism and trade with ‘imperial preference’? Does it complicate the picture when we realise that some leading advocates of free trade were also fierce critics of empire?

Reading:


Further Reading:


**Lecture 12: European Imperial and Trading Expansion into Asia, the Commodification of Spices and the Foundation of Dutch Slave Plantations in the Banda Islands.**

*Europeans in their Carribean colonies had pioneered a slave plantation model orientated towards the export of cash crops such as sugar and tobacco. Following the Portuguese, the tiny Dutch Republic became the largest maritime power in the world during the Dutch Golden Age, extending its trade networks all the way to Japan (and maintaining a trading presence there throughout Japan’s later isolation from the other western economies). How did the Dutch turn preciosities such as nutmeg into commodities and ultimately articles of mass consumption? How did the Banda Islands come to exemplify the slave plantation for spice production in Asia? And how did Dutch mercantilist protection of their trade lead to wars and rivalry with interlopers such as the English?*

Two arch critics of empire, one of whom seems to have drawn rather heavily on the other (students are reminded that Lenin ought to have cited Hobson). Students should read Hobson even if they take the opportunity to read Lenin in Russian. What did Hobson and Lenin argue? What distinctions can we find to distinguish between their arguments? And what are the implications of their ideas? Is one that imperialism suppresses wages in the home country and that such inward investment might lead to a virtuous upwards spiral of growth (as with Henry Ford’s five dollars and day, that allowed his workers to become consumers and increase demand as they could afford saving schemes towards buying one of the Model Ts that they helped to build)? What about the implications of the theory for the colonized, are these as well thought out and developed?

Reading:


Vladimir Ilyich Lenin (1917), Imperialism, the Highest Stage of Capitalism, available at www.marxists.org/archive/lenin/works/1916/imp-hsc/

Lecture 13: Mughal Vulnerability, the Rise of the East India Company (EIC) and the Raj; an Economic and Military Transition.

Were the Mughals fundamentally an agrarian land-based empire? What was the Mughal involvement in Indian Ocean and overseas trade? What capacity did the Mughal State have to extract taxation from its subjects? How did the Mughal Empire’s proportion of global GDP change over time? Was the Mughal State in relative decline by the time the EIC obtained its bridgehead in Bengal, and if so why and how? The EIC had followed in the footsteps of other joint-stock companies such as the Dutch East India company (the VOC). So are joint-stock companies really simple entities, was their creation a major institutional development that would revolutionise the global economy? The EIC managed to out-compete its rivals in South Asia with the help of local Indian finance and key defections to the Company’s side during military conflict. Indians had adapted European military technology from the first arrival of Europeans in South Asia and managed to create some superior technologies (such as laminated guns). Did the EIC import the Military Revolution into South Asia? Why did it turn out to be the most successful military-fiscal player in the conflict to control South Asia? What economic changes and continuities existed with the rule of the Mughals? What was the impact on British-Indian legal and political institutions on the economy? How did the restructuring of land tenure and the Permanent Settlement of Bengal (1793) affect the rural economy? How do we account for the decline in Indian manufacturing – was this an example of imperial mercantilism where the colony was forced to produce raw materials and purchase British value added manufactures? Did the British deindustrialise India? Did British rule provide any institutional or economic benefits to India or was the Raj a purely extractive and exploitative enterprise?
Seminar 14: Douglass North and New Institutional Economics (NIE) or Telling Economists What Historians Already Knew.

Douglass North’s theory won him the Nobel Prize. What questions does North and NIE raise? Do states matter? Do institutions matter? How do they function in order to facilitate economic transactions, enforce contracts and lower transaction costs? Historians have always discussed the importance of political structures and legal systems and the exercise of violent compulsion by states. Are Economists now willing to acknowledge their importance as vital contexts for efficient economic activity? If economics has largely been captured by mathematical models, is there room for subjective concepts that cannot easily fit into a formula and if there isn’t aren’t economists the poorer for it?

Reading:


Further Reading:


Lecture 14: the Ming Dynasty (1368–1644), its Rise and its Fall as a Measure of the Chinese Dynastic Cycle and the Emerging Global Economy.

The Ming colonisation of Southern China may have proved (in the long run) to be one of the most significant events in global history, converting a subtropical and thinly settled region into the centre of an export orientated silk producing economy. The Ming used imports of Spanish American silver via the Manila trade to more extensively monetize their economy and their taxation system. But when the silver supply contracted and the world was faced with climate induced famines from China to Spain the Ming state found it increasingly difficult to face of the Manchu military threat on their northern borders and to collect taxes in silver from a distressed peasantry. The Ming empire descended into banditry and chaos and the three pronged threat brought the dynasty to an end, revealing the dangers of relying on integrated global trade networks and of an overly rigid monetary and taxation system.

Seminar 15: Wallerstein and World Systems Theory, or ‘Neo-Smithian Marxism’.
Brenner dubbed World Systems Theory 'Neo-Smithian Marxism', is this a fair characterisation? What is World Systems Theory? Is it an accurate depiction of the changing global economy or of economic processes? Amongst the various critics of global capitalism why has it proved a popular framework for writing global history? Is the theory hampered by a sense that the global economy is an exploitative ‘zero sum game’? Does the Smithian and Ricardian understanding of relative ‘comparative advantage’ in trade help to discredit this idea? How does it account for the emergence of new cores within the world system without the absolute descent of other parts of the system? Is it not the case that overall, for the most part, real nominal GDP has been rising globally, and that the system does not necessitate the absolute immiseration of one part of the globe’s population in order to enable the enrichment of another? When it comes to real improvements in living standards or lack thereof shouldn’t we be listening to Malthus rather than Wallerstein?

Reading:


Further Reading:


If accessible see Immanuel Wallerstein’s (2011, 3rd edn.) Historical Capitalism with Capitalist Civilization.

Lecture 15: China: the Opium War, the Taiping TianGuo, and the Era of Unequal Treaties.

As China under the Qing continued to demand the importation of silver and gold bullion in exchange for their valuable and sought after trade goods (especially silk, porcelain and tea) British traders struggled to meet the demands of European markets without sufficient bullion. Using the Bengal bridgehead they began to produce Opium to sell to the Chinese market in violation of Chinese imperial regulations. Ultimately the vast trade in illegal drugs sparked a conflict in which British naval supremacy would force China into humiliating concessions (including ceding the island of Hong Kong) and open the way for more unequal treaties between Western powers that allowed their citizens access to the Chinese market and gave them immunity from Chinese laws.

Seminar 16: King Cotton and the Slave Plantation Economy of the American South.

In the mid Nineteenth Century the issue of the expansion of slavery into the territories being acquired by the rapidly expanding U.S. empire is coming to a head. America is split between an increasingly backward agricultural slave plantation economic system in the South (whose profitability had been
restored by the invention of the Cotton Gin in 1793) and an increasingly prosperous and industrial North. A bloody conflict foreshadows the modern carnage of the First World War. We will look at figures on the relative economies and production capacity of the two sides which show that much like the Japanese attack on Pearl Harbour, the South’s bid for independence was a reckless gamble if material and economic factors are seen to be decisive in the outcome of conflicts. But the Southern Plantation Economy was vibrant and profitable, its cotton production was export market orientated and slaves as a human commodity were worth more than any other single financial asset in the United States other than the entirety of the land itself. Was the conflict between the rival economic systems inevitable? Had war been averted or the South achieved its independence could the slave based economic system have modernized further and survived into the 20th Century?

Reading:


Further Reading:


Lecture 16: Slave trading, Western Expansion, Railroad Building and the Economic Divergence of the American North and South.

After the Spanish came the English, Dutch and French. The triangular slave trade between Europe, Africa and the Americas was a massive undertaking and profitable economic concern laying the groundwork for a slave plantation system in the Americas producing commodities like sugar, cotton and tobacco. How was slavery and the plantation system related to Europe’s economic rise and later industrialisation? Slavery gained its strongest foothold in the American South, and with invention of the Cotton Gin became increasingly profitable. We will explore the slave economy and the profitability of the interstate slave trade as the Southern states of the Atlantic seaboard and the Upper South colonized the South West with ever larger slave plantations. This contrasted with the reforms and railroad driven expansion of cities like Chicago in the North with their free-labour factories. Were the two systems destined to compete and ultimately clash?


In the early 20th Century leading economies left the gold standard, and the role of central banks was hotly debated. Bretton Woods rebuilt the international economic system in 1944 on the basis of the
gold standard, setting up institutions like the IMF. In 1971 a Republican President Nixon abandoned the gold standard. Now all major currencies are fiat currencies (something which had also existed in several Chinese dynasties). Weimar Germany points to the dangers of hyperinflation experienced when a fiat currency is printed too freely. Massive indebtedness in the advanced western economies (resulting from overspending by states and an imbalance in world trade) to emerging creditor countries like China has prompted arguments over currency. The Chinese currency is not freely convertible and is kept artificially low say American policy-makers and politicians, causing unfair terms of trade. China and Russia have suggested freeing the world economy from the dominance of the dollar through the creation of some kind of international currency or basket of currencies based on IMF drawing rights. Russia has called for a return to the gold standard. The Euro crisis has imperilled one major alternative currency which could be included in any basket. The gold price has risen throughout recent crises. What is the meaning and significance, past and present, of the gold standard?

Reading:


Further Reading:


Lecture 17: The American Civil War, Reconstruction and the Rise of Jim Crow Segregation.

A totemic conflict which saw the invention of iron clad ships, revolutionizing naval technology and warefare, and which pointed towards the carnage of the First World War to come. We look at the economic as well as military capacities of each side to fight a war in which ultimately the more economically powerful side would triumph. Attempts at radical reconstruction of the racial and economic order in the South proved short-lived however, and the South remained economically agricultural and relatively ‘backward’ while reintroducing a discriminatory regime against Southern blacks in place of the slave system that had been abolished as a result of the Civil War.

Seminar 18: The Wall Street Crash, the Great Depression and the New Deal.
American capitalism was at its most brash and confident in the 1920s. The mechanical production line was catapulting American industry to new levels of efficiency and leaving the likes of Britain behind. Ford's Model T car began production in 1908 and ended in 1927 having sold more than fifteen million cars. The demands of assembly line production created a high turnover of employees, but Ford did not slow down production, instead in 1914 Ford offered employees the unheard of wage of five dollars a day. It foreshadowed a virtuous cycle in American capitalism whereby the wages of industrial workers would rise to create mass demand for products that they themselves were manufacturing. (It is interesting to look back at Hobson's argument from Seminar 16 in this light.) However, stock markets were still in their infancy and the Wall Street Crash of 1929 brought all this dynamism to a halt. We will examine the nature and impact of the Great Depression and explore the contemporary economic arguments as to how to tackle it. Did Keynes offer the right solution to this crisis of capitalism? How successful were New Deal policies? Was it really the demands of total war that completed the recovery?

Reading:


Further Reading:


Lecture 18: The Age of Confidence, World Trades Fares, Technological Breakthroughs, the Emergence of Modern Japan and the Shock of the First World War.

The late 19th and early 20th Century was a largely laissez faire era of confidence in man’s capacity to overcome the limitations of nature through enterprising and pioneering technology. This brash confidence was characterized by the many Great Exhibitions and World’s Fairs held in Britain, America and France which suggested how nations might peacefully compete to create a bright future (made brighter by electric lights and cinema and a myriad of other useful inventions). Having been forcibly opened to foreign trade by Commodore Perry of the US Navy Japan also saw record growth in this period, Westernising, modernising and industrialising to the extent that it was able to defeat Russia in 1904-1905, placing it in a position to exploit its weaker neighbour China who had failed to adapt as well to global challenges and the threats of western imperialism.

Seminar 19: The Keynes Hayek Debate.

Did the demands of the wartime planned economy geared towards total war create a Keynesian economy? What about the alternative answers given by the Austrian School of economists? Could it be said that Hayekian approach provides more answers as to the causes of booms and bubbles while the Keynesian provides the policy solutions for the bust? Keynes ideas can be read strictly as advocating countercyclical intervention to boost aggregate demand through state spending in times of economic downturn. However policymakers have often ignored the other side to his arguments – that the state should contract during economic booms and repay the debts incurred by deficit spending during the downturn and save funds for a future crisis – is implementing a truly Keynesian countercyclical approach a problem for democracies? Keynesians have also taken his advocacy of more central state planning as a license to create a larger state and a mixed economy leading Government’s to take control of what Lenin referred to as the ‘commanding heights’ of the economy. Keynesians have also found that stagflation confounds their theories, so do Keynesian solutions fit every economic downturn? Are they as useful for us today as they were in the 1930s? After the relatively laissez faire environment of the early 20th Century and the Keynesian consensus of the mid-century, Hayek’s ideas (suspicious of macroeconomics, state intervention in the economy and central planning) gained ground towards the end of the Century as states began to retreat from the commanding heights of the economy. But after the financial crisis of the new Century are we once again ‘all Keynesians now’? There is an even a case to be made that deregulationist free marketeers like Ronald Reagan also embraced Keynesian orthodoxies in their bid to boost the economy (and aggregate demand) through deficit-spending tax cutting (rather than deficit-spending on increasing the state) – are we persuaded?

Reading:


American capitalism was at its most brash and confident in the 1920s. The mechanical production line was catapulting American industry to new levels of efficiency and leaving the likes of Britain behind. Ford’s Model T car began production in 1908 and ended in 1927 having sold more than fifteen million cars. The demands of assembly line production created a high turnover of employees, but Ford did not slow down production, instead in 1914 Ford offered employees the unheard of wage of five dollars a day. It foreshadowed a virtuous cycle in American capitalism whereby the wages of industrial workers would rise to create mass demand for products that they themselves were manufacturing. (It is interesting to look back at Hobson’s argument from Seminar 16 in this light.) However, stock markets were still in their infancy and the Wall Street Crash of 1929 brought all this dynamism to a halt.

Seminar 20: Hyperinflation in interwar Germany.

Understanding and controlling inflation is a major concern for Central Banks. Fears of deflation and hyperinflation put strict limits on the options they feel are available to them, and most have aimed at stable and low levels of inflation. However recent rounds of quantities easing (QE or money printing) have led to discussion of competitive devaluation and currency wars and of the costs (often unseen) that inflation inflicts on working people and people’s savings and investments, and also to the medium and long term risks of higher inflation. It is instructive to discuss the money printing and hyperinflation that crippled Germany’s interwar economy and provided fertile ground for the rise of the Nazi party, especially as some governments today (like Zimbabwe) seem yet to have learned the lessons of hyperinflation. Some economists have suggested that though low inflation is usually associated with growth, like a drug, you need to keep increasing the dosage to get the same benefits over the long run, and ultimately inflicting intentional pain on the economy to restore sound currency and low levels of inflation will be necessary. What is inflation, can it be controlled in the global economy and if so how? What are the dangers of letting inflation get out of hand?

Reading:
Lecture 20: The Great Depression, the New Deal, Rearmament and War-induced Recovery.

We will examine the nature and impact of the Great Depression and explore the contemporary economic arguments as to how to tackle it. Did Keynes offer the right solution to this crisis of capitalism? How successful were New Deal policies? Was it really the demands of total war that completed the recovery? And did the demands of total war create a Keynesian economy? Is Keynesianism as useful for us today (when it advocates countercyclical government spending which seems impossibly at variance with democratic pressures and with advanced bond markets that punish governments for overspending in an economic downturn)? What about the alternative answers given by the Austrian School of economists?

Seminar 21: West Germany, Erhard and the Wirtschaftswunder.

In the postwar years West German politician Ludwig Erhard (first as Minister of Economics then as Chancellor) played a key role in creating the environment for Germany’s economic miracle. Like France and Britain, West Germany benefited greatly from the Marshall Plan, but Erhard defied advice and the policies of the allied military occupiers to unilaterally end wage and price controls (a policy that would continue to be deployed in the United States as late as the Nixon administration). Faced with four occupation currencies (in the Soviet, American, British and French occupation zones) Erhard was also responsible for introducing the Deutsch Mark to prevent a return of hyperinflation.
move angered the Soviet authorities (who had not been consulted) as the old Reichsmarks which the Deutsch Mark replaced flooded into East Germany causing inflation forcing them to introduce their own Deutsch Marks (colloquially known as the Ostmark). The Soviet Ostmark was officially maintained to be worth the same as the West German Deutsch Mark, but due to continued inflation its relative value against the rival currency plummeted making it difficult for East Germans to use their money in the Western sectors before the erection of the Berlin Wall. Both of Erhards policies helped to establish a sound basis for West German economic recovery helping to put an end to a rampant black market barter economy in which cigarettes functioned as the effective currency for small transactions and Cognac for larger transactions (with all the attendant transaction costs such a system entails). East and West Germany came to symbolize the divergence in economic systems and fortunes that would characterize the Cold War. West German success was greater than the other Western economies – was this due to policies that were more free market than even those of the United States? In any event the German economic miracle was part of a wider boom in Western economies, a period of almost interrupted growth that was to last for 30 years until the first of the oil shocks of the 1970s.

Reading:


Further Reading:


Keynes was a policy-orientated academic who frequently worked with government. Keynes was appointed financial representative for the British Treasury at the 1919 Versailles peace conference, an experience crucial to shaping his outlook. Keynes prophetic warnings to government at the time (repeated in his 1919 The Economic Consequences of the Peace) that a policy of punishing Germany would be economically unsustainable and would lead to dire consequences were ignored as the Treaty of Versailles imposed punitive reparations payments on defeated Germany, which would lead to money printing, hyperinflation and conditions that proved fertile for the rise of the Nazi party. Hayek’s views were shaped by a wariness of the threat of totalitarian government for destroying the
freedom of the individual, which explains his attack on central planning as The Road to Serfdom (1944), and his subsequent distress that through much of his life Keynes seemed to have triumphed – not merely in the views he had actually put forth, but in the wide interpretation of Keynesianism by policymakers as a license to take over heavy industries and place government at the commanding heights of a mixed economy. Where the political consequences of these two figures distinct from the substance of their economic ideas?


After the war Western Europe faced widespread physical destruction, depopulation, and serious food shortages. Rationing became worse in Britain and was extended to bread as American lend-lease wartime aid was replaced with demands for repayment and as Britain shipped food to Germany to head off starvation there. In response to the American perception (fostered by Winston Churchill’s warnings about an ‘Iron Curtain’) that this was fertile ground for the spread of communism American Marshall Aid money, agricultural and industrial equipment poured into the reconstruction of Western Europe. Some European countries continued wartime central planning of industry, increasing nationalisations and beginning the construction of welfare states. West Germany adopted the most free market approach and enjoyed the most significant industrial growth (exemplified by the success of Volkswagen Type 1 or ‘Beetle’). In their first major covert overseas action the recently formed CIA helped the Christian Democrats to defeat the Communist in Italy. Italian incomes continued to lag behind the likes of the US, Britain and West Germany, but they too participated in a miraculous 30 year boom of growth, whose pattern seemed to follow the virtuous cycle of Fordism in the pre-Depression U.S., as workers became consumers leading to ever more production and employment. Italian car company Fiat like other European automakers travelled to America to learn from Ford, but Italian success was symbolized by the ubiquitous Vespa motorcycle. It was not until the oil shocks of the early 1970s that this continuous boom for Western economies finally came to an end.