

HI200 Contemporary Issues in Economic History

RISE OF THE WEST OR THE GREAT DIVERGENCE
INCOME AND WEALTH INEQUALITY
FINANCIAL CRISIS IN 21ST CENTURY

Seminar Leader: Professor Martin Kenner
Email: m.kenner@berlin.bard.edu
Office Hours: after class and by appointment

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Course Readings and Syllabus:
<https://tinyurl.com/BCB-SP-2019>

Course Description

In this course we address three issues that are central to understanding world power today. Why had the West become so fabulously wealthy in the nineteenth and twentieth centuries and the Rest of the world relatively impoverished? Was this condition always so and if not when and why did it occur? Our second topic is wealth and income inequality– what are its historical contours? When, why and how has it varied over time? Our third topic is the economic collapse of 2008, its causes and its economic and political ramifications: the amplification of income and wealth inequality and the growth of a right wing power across the world.

This is the Golden Age of Economic History. In recent years, historians, economists and economic historians have rescued economic history from cliometric (quantitative) economic historians who reduced historical questions to static/ahistorical models with simplistic assumptions; this work was not economic history but neoclassical theory applied to episodes in the past. The ending of the Cold War liberated economic history (and other social sciences) and returned social science into a critical examination of our past.

The three topics we examine in this course have benefitted from significant new scholarship in the past twenty years. The Great Divergence, an inquiry into when the “West” became uniquely wealthy and pulled ahead of the “rest” in economic power rose to a major topic of academic inquiry in the 1990s. The “California school” of historians questioned long established narratives of the “Rise of the West.” For centuries western thinkers had taken for granted that the “West” long outpaced “the Rest.” In this view Asia and the Middle East (India, China, the Ottoman Empire and more) were held back by centralized government ruling vast empires, unrelenting

population pressures, and agrarian stagnation; historians projected Third World conditions far into the past. These accounts defied common sense as Marco Polo and Christopher Columbus and countless other explorers wanted to get to the East precisely because of its riches. The “California school,” most notably Kenneth Pomeranz’s *The Great Divergence*, observed that “compared to Europe, in the seventeenth and eighteenth centuries Asia had bigger cities, richer merchants, more long distance trade, sophisticated manufacturing, high agricultural productivity, secure contracts and property rights, effective government and rich traditions of scientific study.”¹ In this new view the economic domination of the West may be just a two hundred fifty year parentheses in two or three thousand years of human civilization.

In this same period a school of economists, mainly French who trained in the U.S., most famously Thomas Piketty, challenged the prevailing view that economic growth in the advanced capitalist world in the post WWII trended toward greater income and wealth equality. Whereas income and wealth distribution did converge in the three decades of the postwar period, this proved temporary. In recent decades nearly all the benefits of economic growth accrued to the top 1% whereas the vast majority experienced stagnant wage growth and diminishing services (cutbacks in retirement benefits, education, and a general decline in the public sphere). What these economists have demonstrated there is a consistent trend toward inequality moderated only by the horrors of economic depression or major wars. Piketty et. al. have punctured the complacent view that a trend toward equality is a characteristic of capitalist society.

Our third subject is the financial crises arising from the housing crash in the U.S. and western Europe in 2008 and the Eurocurrency crisis of 2010. These two economic events were intimately connected argues Adam Tooze in *Crashed* and reveal the overwhelming power of a handful of banks whose dangerous leverage and borrowing overwhelmed the resources of their host nations, endangered the world economy, and undermined democracy. The self-defeating austerity policies pursued by the Europeans in response to the crisis led to the ascendancy of the ultra-right.

What these three explorations have in common is their rejection of post war assumptions that projected, without deep historical analysis, the present into the past and into the future. The West all powerful in the immediate post war years was only recently, in historical time, all powerful and it appears its power is today waning. Extremes of income and wealth have proved the norm over long periods of history and the postwar Golden Age or as the French call it the *Trente Glorieuses* were temporary conditions that neither reflected most of the past nor are a reliable guide to the future. And popular control over the very richest (particularly in the U.S.) was fleeting. Today, again, as in the Gilded Age, a few wield power over elected governments.

¹ Goldstone, Jack A., *The Great and Little Divergence: Where Lies the True Onset of Modern Economic Growth?* (April 26, 2015). 3. Available at SSRN: <https://ssrn.com/abstract=2599287> or <http://dx.doi.org/10.2139/ssrn.2599287>

Our third topic explores the intriguing role of the dollar as the dominant currency even as the U.S. is the world's largest debtor. Today the U.S. has turned economic weakness into financial power.

Course Requirements:

The most important requirement is showing up for class. (As Woody Allen said, "80% of life is just showing up."), the second requirement is doing all the required readings and watching all the required video lectures or features and the third requirement is listening and respecting your fellow students. All required writing assignments must be handed in on time .. No exceptions.

1) **Readings:** *This is a reading intensive course.* Required readings are listed in syllabus and are either in the library or on line. Students should read *all* the weeks' assignments and watch all the assigned video lectures and films *before* class. *Reading and watching video lectures is an essential requirement of this course and students maybe called on in class to answer questions based on the readings.*

2) **Quizzes:** For each weeks' readings students *will make up questions* consisting of (your choice) identifications (events, persons or dates), multiple choice, or true/false questions for class discussion. **Quizzes need to be e-mailed to me no later than the Sunday before class.** *Email quizzes to me at m.kenner@berlin.bard.edu.*

3) **Student Class Presentations:** most weeks a student (or students) will present a brief report on a book or an article on a specialized aspect of the weeks' topic. Note some readings are labeled Optional and some Student Presentations.

Writing assignments: three take-home essays/exams (3-5 pages) corresponding to the three sections of the course. The first essay/exam is due on March 11th, the second on April 3rd , and the third on May 13th.

5) **Final Exam:** A choice of essays covering the grand themes of the course.

Grades:

The weekly quizzes are Pass/Fail (and an occasional Super Pass for the exceptionally well done quiz). Failure to hand in quizzes (on time) will substantially lower the grade: two missing quizzes will lower grade to the next lower grade and three or more missing quizzes will lower grade a full letter. Be sure to hand in quizzes .. on time!

The grade in the course will be based in equal parts on 1) the combined grade for the three essays, 2) the class presentations 3) the final written exam.

The only prerequisite for this course is the willingness to do a lot of reading.

PART I: THE GREAT DIVERGENCE

Our reading for the first two weeks is not directly related to any one topic but provides a short and brilliant insight how economic historians approach a problem. Robert Allen's *Very Short Introduction* is both more analytical than we are accustomed to in history texts and more comparative – taking a broad view of a variety of societies and economies and more historical, ranging over time, than most social science, particularly economics. The early chapters are assigned readings for the entire class, as indicated on the Readings on Google Drive, and the later more geographically specific chapters will be assigned for class lectures by members of our class.

Week 1 Feb 28/30

Course requirements, Big Questions
Introductory Lecture & Overview: Economic History, Imperial History and Globalization. Outline of the course and course requirements.

Globalization and the Great Divergence: Introduction to “the problem.”

TEXT: Robert C. Allen, *Global Economic History: A Very Short Introduction* .

The Great Divergence, the Rise of the West and strategies for catching up.
Robert Allen's *Global Economic History*.

Week 2 February 4/6.

More on Robert Allen's *Global Economic History*: Goldstone on why not culture.
Jack Goldstone, “The World Circa 1500: When Riches Were in the East,”
Chp. 1, *Why Europe? The Rise of the West in World History-1500-1850*.
(2009).

Week 3 February 11/13

Economic and Population Growth – The Malthusian Trap.

Readings:

O'Rourke and Findley, *Power and Plenty*, “Preface” – Long view last millennium.

Kennedy, *Rise and Fall*, Chp. 1, “Rise of the West.”

Piketty, *Capital*, Chp. 2, “Illusions and Reality”

OPTIONAL READINGS/BACKGROUND/STUDENT PRESENTATION IN CLASS:

The World in 1500 Before The Great Divergence: When Riches were in the East.

An important motive for European exploration in the Atlantic was the goal of seeking access to the riches of the East. Looking back in the 19th and earlier 20th centuries westerners viewed the rest of the world as lagging the West, as poor and “underdeveloped”; viewed from the vantage of 1500 the world was quite different. Readings below offer a snap shot of the Eurasian world in 1500 “when riches were in the East.”

“The central feature of world history between 1500 and 1815 was the expansion of European civilization throughout the globe. Down to 1500 the world had, on the whole, pressed in on Europe; after 1500 Europe pressed out into the world... In 1500 western Europe still stood on the periphery of the civilized world, overshadowed by the Ming Empire of China, the most powerful and advanced state of the period, and by the Ottoman and Safavid empires of the Middle East. Both in wealth and in population China, with over 100 million inhabitants (more than the whole of Europe), loomed far ahead, while the most expansive of the great world religions was Islam, still actively making converts in central and south-east Asia and among the peoples of sub-Saharan Africa.”

The Times Atlas of World History, 3rd Ed. (1986), “The World on the eve of European Expansion c. 1500.

READINGS:

John Darwin, *After Tamerlane*, “The Islamic Counterpoise,” “The Long Sixteenth Century in East Asia,” and “Comparing Europe.” (2007).

William H. McNeill, *The Rise of the West*, (1963, 1991) “*The Rise of the West after 25 years.*”

J.H. Parry, *The Establishment of the European Hegemony: 1415-1715*, “The Bounds of Christendom 1415.” (1959).

Hugh Trevor-Roper, *The Rise of Christian Europe*, Chp. VI, “Europe Turns West.” (1965).

Angus Maddison, *The World Economy*, Chp. 2 “The Impact of Western Development on the Rest of the World, 1000-1950.” **PAGES 49-57 AND 65-69.**

The Great Divergence: Kenneth Pomerantz's thesis.

Coal and colonies play an important role in Pomerantz's history.

VIDEO INTERVIEW: Kenneth Pomerantz interview 2015

Chp. 1 "Europe before Asia? Population, Capital Accumulation, and Technology in Explanations of European Development."

Chp. 5. Shared Constraints: Ecological Strain in Western Europe and East Asia.

Chp. 6. Abolishing the Land Constraint: The Americas as a New Kind of Periphery.

WEEK 5: February 25/27

The New World and its resources. Europe's escape from the Malthusian Trap.

Columbian Exchange: a nearly empty continent (thanks to European microbes) to exploit and its contributions to Europe.

An examination of Europe and the New World underscores Pomerantz's argument that the New World provided a strong antidote to the Malthusian trap. The Columbian Exchange in which Europe brought microbes to the New World that killed off approximately 90% of the population leaving the Europeans in possession of a mighty continent with few people to feed and in return the New World contributed new protein rich plants, most importantly the potato, that assisted Europe in supporting a significantly larger population on its existing farm land.

REQUIRED:

Eric Jones, "The Discoveries and ghost acreage" Chp. 4, *The European Miracle*, 3rd Ed., 2003.

Alfred W. Crosby, "Infectious Disease and the Demography of the Atlantic Peoples" *Journal of World History*, (Fall, 1991)

Crosby, "New World Foods and Old World Demography," Chp. 5, *The Columbian Exchange: Biological and Cultural Consequences of 1492*, (1972).

"Alfred W. Crosby on the Columbian Exchange," Interview, Megan Gambino, Smithsonian.Com, October 4, 2011.

OPTIONAL: CLASS PRESENTATION OR ESSAY:

Crosby, *The Columbian Voyages, the Columbian Exchange, and Their Historians*, AHA.

WEEK 6: March 4/6

THE INDUSTRIAL REVOLUTION:

VIDEO: Why England? – Guest Lecture, Robert Allen,
Bob Allen’s Tawney Memorial Lecture given at The Economic History Society Annual
Conference 2009

<https://www.youtube.com/watch?v=-vyNOWxp4>

OPTIONAL READINGS/BACKGROUND/STUDENT PRESENTATION IN CLASS:

The Agricultural Story: J. Appleby, “Crucial Developments in the countryside,” Chp. 3,
The Relentless Revolution: A History of Capitalism, (2010).

Review of Debate:

R. Findlay and K. O’Rourke, “Trade, Overseas Expansion and The Industrial Revolution,”
“Why Britain: Why Not Europe or Asia?” Chp. 6, *Power and Plenty*, **pages 339-64**

English Agricultural Exceptionalism: the internalist argument: Why Not Holland or France?

E.A. Wrigley, “The Divergence of England: Growth of the English Economy in the
Seventeenth and Eighteenth Centuries.” The Prothero Lecture, *Transactions of the Royal
Historical Society*, Sixth Series, 10.

K. O’Brien, “Path Dependency, or Why Britain Became an Industrialized and Urbanized
Economy Long Before France.” *EHR*, 49,2 (May 1996)

Why Not China?

Justin Yifu Lin, “The Needham Puzzle: Why the Industrial Revolution Did Not Originate in
China,”

PART II: INCOME AND WEALTH INEQUALITY.

(GRADES DUE TO REGISTRAR 22 MARCH)

WEEK 7: March 11/13 FIRST ESSAY DUE MONDAY MARCH 11TH
Piketty, *Capital in the 21st Century*, “Introduction.”
Videos :

<https://www.youtube.com/watch?v=heOVJM2JZxl>

Piketty at CUNY Begin at 4 minutes and watch to 1:03 (i.e. end of Krugman).

Piketty's *Capital* in 3 Minutes – BBC Newsnight:

<https://www.youtube.com/watch?v=HL-YUTFqtul>

Piketty: There is no such thing as Economic Science:

<https://www.youtube.com/watch?v=j62dLzzAzww>

Piketty: – US vs Europe, Income vs. Wealth

<https://www.youtube.com/watch?v=JKsHhXwqDqM>

Piketty at Harvard Seminar on the History of Capitalism, March 2015:

<https://youtube/fe2iQWjByKs>

WEEK 8: **March 18/20**
Capital in the 21st Century.
Selected Chapters (TBA)

WEEK 9 **March 25/27**
WORLD INEQUALITY REPORT
World Inequality Report 2018 – selected chapters.

PART III: THE AGE OF FINANCE CAPITAL: BANKS TRUMP NATION STATES

In 2008 the world suffered the worst financial crisis since the Great Depression of the 1930s. A few years later Europe endured the eurocurrency conflict which threatened to unravel the European Union. Adam Tooze's *Crashed* connects these two financial episodes and further extends his analysis to explain the rise of the ultra right as a response to these financial crises. Underlying these two stories is the power of a handful of private banks whose financial resources, greatly leveraged, overwhelmed the power of their host nations. This is both a difficult book and a brilliantly original work that ties together the major events of the past decade. Much has been written on these various episodes but no other work ties them together in a historical context. Yet, as noted, this is a difficult book so don't get discouraged. Read each assignment and get out of it what you can and bring your questions to class. One key original point made in this book is that the problem in 2008 and after was not the bad investments – the flaky mortgages – but the funding mechanisms used to buy these assets. In sum, banks borrowed short (term) to buy longer term debt and when a crisis of confidence hit, they could not roll over their loans and the world credit markets froze.

The two feature films and the two lectures by Adam Tooze explain this more clearly, alas, than

he does in his book.

WEEK 10: April 1/3 SECOND ESSAY DUE WEDNESDAY APRIL 3RD

BANKING THEN AND BANKING NOW. Overview of financial crisis.

VIDEOS:

DVD: *Margin Call* (in Library)

DVD: *It's a Wonderful World*. (In Library).

Two lectures by Adam Tooze (see Videos on Google Drive).

WEEK 11: April 8/11

“The First Crisis of a Global Age.”

“What is the relationship of the economic crisis of 2008 to the geopolitical disaster of 2003 and to America’s political crisis following the election of November 2016.?”

.. “...the idea that was so prevalent in 2008 this was basically an American crisis, or even an Anglo Saxon crisis, and as such a key moment in the demise of American unipolar power, is in fact deeply misleading.” “Contrary to the narrative popular on both sides of the Atlantic, the eurozone crisis is not a separate and distinct event...”² What united these crisis was an implosion of interbank credit, i.e. banks had borrowed way too many dollars and the size of their debts dwarfed many of the national economies. Contrary to the ideology of the preceding decades the “market revolution” of the early years of the century did not lead to a roll back of state intervention but rather the crisis it created led to state intervention on unprecedented scale. Who paid and who benefitted from this intervention created the third act of the drama. The First Act was the U.S. Housing Crisis of 2008, the second was the Eurocurrency crisis of 2010 and the third, devastating, act is the Rise of Trump and the Ultra Right in Europe.

The U.S. Housing Market and the Crash of 2008. The response of the Bush/Obama administrations.

The Washington insider account of the Housing Crisis:

<https://www.hbo.com/embed/vice/seasons/vice-special-reports/episodes/vice-special-report-panic-artists/videos/vice-special-report-panic-the-untold-story-of-the-2008->

² Adam Tooze, *Crashed*, 5-7.

[financial-crisis-2018-clip-barack-obama](#)

Selected chapters *Crashed* by Adam Tooze.

WEEK 12 April 15/17

More on *Crashed*. Selected Chapters.

SPRING BREAK – NO CLASSES APRIL 22/24

WEEK 13: MAY 29, NO CLASS MAY 1, MAY DAY.

More on *Crashed*. Selected Chapters.

WEEK 14 MAY 6/9

FINANCIAL CRISIS AND RISE OF THE ULTRA RIGHT

Selected readings in *Crashed*

VIDEO: Stiglitz on Greece and Austerity

<https://www.youtube.com/watch?v=nHQWnVxX7I0&list=PLochPiFHojBYcY4Z3js-TNStazwuWPtaq&index=4>

WEEK 15 MAY 13/15 COMPLETION WEEK.

3rd Mid Term Essay Due May 13

Final Essay Due May 20th (except for graduating Seniors).