

Lecture 4: Introduction 2: Theories, Sources and Other Problems
in Comparisons

HISTORY 1130-103/104:
Themes in Global History:
Trade, Economy, and Empires

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HISTORY AS A SCIENCE

Introduction: What is economic history?

Comparative history

What are historical sources?

-Sources in economic history

THEORIES OF ECONOMIC AND POLITICAL DEVELOPMENT

Warfare and Systems: Charles Tilly

World System and Dependency Theories: Immanuel Wallerstein

Huntington, Diamond, Landes

Mainstream Economics: Robert Solow

-economic historians: Angus Maddison

Institutional Economics: Douglass C. North

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WHAT IS ECONOMIC HISTORY?

☀ **One Web Dictionary:**

Economic history is the application of economic theories to historical study. Cliometrics is the use of econometric techniques to study economic history.

☀ **Another Definition:**

Economic history is about the study of the humans' possibilities of *subsistence* during different time periods

☀ **What Kinds of Problems Are Usually Analyzed:**

Interdisciplinary by Nature, Long-term Perspective

☀ Economic Development Cannot Be Analyzed Separately from the Society

☀ More Theoretical By Nature

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COMPARATIVE HISTORY – Some Pointers

- studies that use more than one "case" to address a substantive problem,
- try to assess some aspect of change instead of stagnancy,
- focus on places other than the U.S.,
- emphasize the connectedness of various geographical units instead of separation;
- try to understand a society of a time other than "now,"
- see the present as connected to the past, and various combinations of the above.

Some Literature:

- Maddison, A. (2003), *The World Economy: Historical Statistics*. Paris (economic comparisons, data)
- Tilly, Charles, *Coercion, Capital, and European States, AD 990—1990*. Basil Blackwell: Cambridge, Mass., 1990
- Bendix, R., "The Comparative Analysis of Historical Change," in T. Burns and S. B. Saul, *Social Theory and Economic Change* (1967), pp. 67-86.
- Grew, Raymond, "The Case for Comparing Histories," *AHR*, 85:763-78 (1980).
- Hill, Alette Olin, and Boyd H. Hill, Jr., "Marc Bloch and Comparative History," *AHR*, 85:823 -57 (1980).

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ANY QUESTIONS ON WHAT ECONOMIC
HISTORY IS? ANYTHING ELSE?



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SOURCES IN ECONOMIC HISTORY

■ **Why have any quantitative records been produced?**

Taxes, warrmaking

■ **What kinds of data?** Micro and macro level data

■ **National accounts** (=consistent set of macroeconomic accounts, including information on various sectors of the economy), important to have **uniformity** for **comparisons**

■ Standardized **System of National Accounts** (SNA), various ways of doing them: E.g., **income accounts** (total of wages, rents and profits); **production accounts** (sum of what's been produced in various sectors, minus intermediary use);

■ **What does GDP mean?**

■ **Some history of national accounts:**

■ **William Petty** in the 17th century (part of the scientific revolution of the time, various kinds of estimates, constructed aggregate accounts for England and Wales)

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SOURCES IN ECONOMIC HISTORY

■ **Some history of national accounts (continued):**

- **Gregory King**, also 17th century figure, government accounts
- Many estimates produced in the 18th century, no groundbreaking methodological leaps
- **Colin Clark**, 1940, income estimates for 30 countries, rough measures
- More leaps made in Sweden in the 1920s and 1930s, **Erik Lindahl**, a comprehensive national accounting project completed, long run series constructed for Sweden
- After World War II, **Simon Kuznets** a key figure, linked to his work on the American war economy, helped develop key concepts, creation of SNA under UN auspices
- Since the 1950s, development has been fast, numerous projects in individual countries, using these fairly uniform concepts (data availability varies greatly), also tools developed for making figures comparable (purchasing power parities, **PPPs**)
- One of more prominent recent practitioners has been **Angus Maddison**, collections of long run series, huge time span, data better for the 19th and 20th centuries

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THEORIES OF ECONOMIC AND POLITICAL DEVELOPMENT

NOTE! By necessity, this will be a brief review, most of these theories you will encounter throughout this class!

WARFARE AND SYSTEMS: Charles Tilly

-**Basic questions:** *Why did nation states, national armies, and long European hegemony appear in Europe in the second millennium? Why such variation between states? Why nation state?*

-**Other theories:** *Statist models* (political change proceeds almost independently of economic change, consequence of events within states); *Geopolitical models* (system the focal point of analysis, interstate relations argued to have a logic of their own); *Mode of production models* (Marxist orientation, materialist dialectic, imperialism, exploitation); *World system models* (Wallerstein, Andre Gunder Frank, diverse paths of state formation rooted in the development of the world economy, often leading to exploitation)

-**Tilly's answers:** coercion and capital central elements: wielders of coercion (persons who were instrumental in creation of nation states, such as kings and aristocracy) relied on holders of capital (merchant class, interested in cities), this combination met fertile ground in Europe, leading to European domination and warfare, thus Charles Tilly essentially argues that

Literature:

Tilly, Charles, *Coercion, Capital, and European States, AD 990—1990*. Basil Blackwell: Cambridge, Mass., 1990.

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World System and Dependency Theories: Immanuel Wallerstein

-already briefly covered above!

-*The Modern World System: Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century* (1974, other volumes have appeared since), Immanuel Wallerstein developed a theoretical framework to understand the historical changes involved in the rise of the modern world.

-**Key features:** The **modern world system**, essentially **capitalist** in nature, followed the crisis of the feudal system and helps explain the rise of Western Europe to world supremacy between 1450 and 1670

-argues that **Europe moved towards the establishment of a capitalist world economy in order to ensure continued economic growth.**

-The new capitalist world system was based on an **international division of labor** that determined relationships between different regions as well as the types of labor conditions within each region.

-*Four* different categories, **core, semi-periphery, periphery, and external**, into which all regions of the world can be placed.

See:

<http://www.faculty.rsu.edu/~felwell/Theorists/Wallerstein/>

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CIVILIZATIONS IN CONFLICT: Samuel P. Huntington

-Introduction: Background of the book, hotly debated book

✦ **Provocative, CLASH OF CIVILIZATIONS!**

✦ **Relations between the “West” and the Rest**

✦ **Revival of Islam and Asianization**

✦ **Definition of Civilization:**

✦ **Background:** Post-Cold War environment, search for new “enemy”, discussion of nation states, civilizations

✦ **Civilization** = highest cultural grouping of people and the broadest level of cultural identity people have

✦ **Nine possible civilizations:** Western, Latin American, African, Islamic, Sinic, Hindu, Orthodox, Buddhist, Japanese (Note! Importance of religion in assigning civilizational targets)

✦ **Argument:** Civilizations are replacing the Cold War political blocs, conflicts between civilizations are and will become the central lines of interaction in global politics

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Guns, Germs, and Steel: Jared Diamond

✦ **Name of the Book:** *Guns, germs, and steel: the fates of human societies* / by Jared Diamond. New York: W.W. Norton, 1997. (**Pulitzer Prize winner!**)

✦ **Tries to answer the age-old question:** *Why are “we” so rich and why are “they” so poor?* Institutions? Culture? Technology? Religion?

✦ However, Diamond argues that ultimate causal factor is **geography** and ensuing **biological constraints**. Determinant factors: shape and location of continents, flora, fauna, microbes, water, climate, topography.

✦ Most **economic historians** argue that simple (monocausal = one causal factor) models should be abandoned

✦ Diamond works with extreme **long run** developments in history, transition from nomadic tribes to human settlements, and ultimately cities and states

✦ **Interdisciplinary approach:** combines findings from various fields of science

✦ A story of **development trajectories, paths of development**, positive and negative **feedback loops**, leading towards an almost **inevitable Western dominance** in the second millennium!

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CULTURE MATTERS: David Landes

-part of your readings, economic historian

✦ Provocative style

✦ Story of how Europe became the world leader in technology and economic development

✦ Thousand years ago Europe still behind most major cultures and economic areas, not likely to dominate, 500 years later the most likely area to dominate others

✦

✦ One of the keys was the rivalry among newly-established nation states

✦ Rule of law, legal frameworks, intellectual liberalism, scientific inquiry

✦ Other, “recently” prominent cultures and civilizations, such as the Islamic world and China, were not able to rise to the European challenge – in these cultures science not linked with mainstream culture

✦ Western preoccupation with science

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Mainstream Economics: Robert Solow

-**Robert Solow** is one of the major figures of the Neo-Keynesian Synthesis macroeconomics. Together with Paul Samuelson, he has contributed to various landmark pieces of work: e.g. capital theory (1956), and the Phillips Curve (1960).

-Individually, Robert Solow is best known for his work on the **Neoclassical growth model** (1956, 1970). His use of an aggregate **production function** in that paper launched the Cambridge Capital Controversy with pitted Solow and Samuelson against Joan Robinson and the Cambridge Keynesians.

-**What is the neoclassical growth model?** Aggregate supply (output) is given by a production function of the general form:

$$Y = F(K, L)$$

(Y equals overall output, GDP; K equals capital, L labor)

See:

<http://cepa.newschool.edu/het/profiles/solow.htm>

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A more nuanced view: economic historians: Angus Maddison

-**broader view** of economic development than the **Solow model**

-essential tools similar, but adding **other variables**

-Maddison maintains that "*Quantification clarifies issues which qualitative analysis leaves fuzzy. It is more readily contestable and likely to be contested. It sharpens scholarly discussion, sparks off rival hypotheses, and contributes to the dynamics of the research process. It can only do this if the quantitative evidence and the nature of proxy procedures is described transparently so that the dissenting reader can augment or reject parts of the evidence or introduce alternative hypotheses.*"

Explaining Economic Performance: Maddison View

-Advances in population and income over the past millennium have been sustained by three interactive processes:

- a)** Conquest or settlement of relatively empty areas which had fertile land, new biological resources, or a potential to accommodate transfers of population, crops and livestock;
- b)** international trade and capital movements;
- c)** technological and institutional innovation.

See course readings for more details!

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Institutional Economics: Douglass C. North

-In a number of books North has demonstrated the role played by **institutions**, including **property rights**. He is one of the pioneers in "**the new institutional economics**". Putting it simply, **North maintains that new institutions arise, when groups in society see a possibility of availing themselves of profits that are impossible to realise under prevailing institutional conditions.**

-"**Institutions are sets or rules, compliance procedures, and moral and ethical behaviour of individuals in the interest of maximizing the wealth or utility of principals**".

-In his 1990 book, North posed the fundamental question of **why some countries are rich and others poor**. "**Institutions** provide the basic structure by which human beings throughout history have created order and attempted to reduce uncertainty in exchange. Together with the **technology** employed, they determine transaction and transformation costs and hence the profitability and feasibility of engaging in economic activity."

See:

<http://www.nobel.se/economics/laureates/1993/press.html>

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CONCLUSIONS

Common themes:

-**Mostly explain economic and political development on the basis of numerous factors**

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Differing views:

-**Some are more Eurocentric, especially Landes – Huntington emphasizes the “West” as opposed to other civilizations, conflicts between cultures and civilizations; some emphasize more diverse viewpoints, also pay attention to failures (China)**

-**Debate over which exact causal factors would account for political and economic success and failure**

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TWO questions, answers in writing.

- 1) What is the Clash of Civilizations?**
- 2) Which of these theories do you find the most convincing and why?**

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**ANY QUESTIONS ON TODAY'S LECTURE?
ANYTHING ELSE?**

