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

HISTORY 1130: Themes in Global History: Trade, Economy, and Empires

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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

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:
ANY QUESTIONS ON WHAT ECONOMIC HISTORY IS? ANYTHING ELSE?

SOURCES IN ECONOMIC HISTORY

- Why have any quantitative records been produced?
  Taxes, war making
- 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:
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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
Guns, Germs, and Steel: Jared Diamond


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!

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.
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

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!
**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.  
-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:  

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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?

ANY QUESTIONS ON TODAY’S LECTURE? ANYTHING ELSE?