

## **The History of Economic Growth**

Spring 2016

Economics 1342

Class Location: TBA

Version: Final

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**Course description:** This course examines the history of economic growth, beginning with the divergence between human ancestors and other primates and continuing through the end of the 20th century. Topics covered include the Neolithic Revolution; economic growth in ancient societies; the origins of modern economic growth; theories and evidence about the institutional, geographic, and cultural determinants of growth; the East Asian Miracle; the middle income trap; the political economy of growth; growth and inequality; and theories and evidence about the persistence of poverty in the world's poorest regions.

**Prerequisites:** Economics 1010a or permission of the instructor.

**Meetings:** Mondays and Wednesdays 10:00 am – 11:30 am.

**Requirements:** Students are graded on the basis of ten one page (single-spaced) weekly response papers about the readings (50% of the final grade; 5% each), a midterm (20% of the final grade), and a final exam (30% of the final grade). Prompts for the response papers will be provided at the beginning of each week on the course website. For FAS students, the midterm exam will be administered in class during the last lecture before spring break. The final exam will be administered by the registrar's office during exam period and will be three hours. For extension school students, the exams will be administered online. Anything covered on the reading list or in lectures is fair game for the exams. Some of the readings have technical details about statistical estimation or economic modeling. These technical details will not be on the exams. Instead you should understand the main arguments of all the papers on the reading list and what quantitative facts or case study evidence is used to support those arguments.

**Deadlines:** Papers on the previous week's readings are due each Monday at 5pm and can be submitted through the course website. During the week of President's Day, the response paper will be due on Wednesday instead. There is no paper due the week after Spring Break. Late response papers will only be accepted if accompanied by a note from your senior tutor/academic advisor or a medical practitioner certifying that you were unable to hand in work due to illness or a personal emergency. The lowest response paper grade will be dropped.

**Readings:** Most readings will be available for download on the course website. You may wish to purchase a copy of *Why Nations Fail* by Acemoglu and Robinson, *Lever of Riches* by Joel Mokyr, and *The Secret of Our Successes* by Joe Henrich, or they will be on reserve at Lamont.

**Collaboration:** Students are welcome and encouraged to discuss their response papers with others in the course, but each student must hand in his or her own distinct response paper. Please also take care to avoid plagiarizing sources:

<http://isites.harvard.edu/icb/icb.do?keyword=k70847&pageid=icb.page342054>.

No collaboration is permitted during the exams.

## Schedule

DATE	TOPIC	DUE
<b>Introduction</b>		
25-Jan	Economic Growth in Human History	
<b>Pre-history</b>		
27-Jan	The First "First Great Divergence"	
1-Feb	The Neolithic Revolution	Discussion Paper 1
<b>Ancient and Medieval Growth</b>		
3-Feb	Long-Run Economic Growth and Stagnation I	
8-Feb	Long-Run Economic Growth and Stagnation II	Discussion Paper 2
<b>An Introduction to Modern Economic Growth</b>		
10-Feb	An Introduction to Growth Theory	
17-Feb	The Beginning of Modern Economic Growth I	Discussion Paper 3
22-Feb	The Beginning of Modern Economic Growth II	Discussion Paper 4
24-Feb	Why Did Growth Spread to Some Places and Not Others?	
<b>Institutions, Policy, and Culture as Fundamental Determinants of Economic Growth</b>		
29-Feb	Economic Growth in Europe	Discussion Paper 5
2-Mar	The Americas in Comparative Perspective I	
7-Mar	The Americas in Comparative Perspective II	Discussion Paper 6
9-Mar	Midterm	
21-Mar	U.S. Economic Ascendency	
23-Mar	Long-Run Economic Development in Africa	
28-Mar	States and Development in Asia and the Middle East I	Discussion Paper 7
30-Mar	States and Development in Asia and the Middle East II	
4-Apr	The East Asian Miracle	Discussion Paper 8
6-Apr	Path Dependence and Development	
<b>Geography, the Environment, and Economic Growth</b>		
11-Apr	Geography and Economic Growth	Discussion Paper 9
13-Apr	Climate Change and Poverty	
<b>International Political Economy, Conflict, and Growth</b>		
18-Apr	Trade and Development	Discussion Paper 10
20-Apr	Foreign Military Intervention	
25-Apr	Transnational Organized Crime	Discussion Paper 11
27-Apr	Foreign Aid	

## Introduction: Economic Growth in Human History

This lecture provides an overview of economic growth across space and time. It will also summarize the topics that will be covered in the course and outline the course requirements.

- Pritchett, L. (1997). Divergence, big time. *The Journal of Economic Perspectives*, 3-17.
- Morris, Ian (2010) *Why the West Rules – For Now*, New York: Picador. Chapter 3 “Taking the Measure of the Past”.
- Clark, Gregory (2005) “The Condition of the Working Class in England, 1209-2003,” *Journal of Political Economy*, 113, 1307-1340.

- Acemoglu, D., & Dell, M. (2010). Productivity Differences between and within Countries. *American Economic Journal: Macroeconomics*, 2(1), 169-88. (don't worry about the model, focus on what we learn from the data).

## The First “First Great Divergence”

Economists typically refer to the economic divergence of Europe and its offshoots from the rest of the world in the 19<sup>th</sup> Century as the “First Great Divergence”. This contrasts to the 20<sup>th</sup> Century Divergence of initially poor economies in East Asia and elsewhere from the developing world. However, when biological anthropologists refer to the “First Great Divergence”, they have something much earlier in mind: the divergence of human behavior from that of other primates. This lecture will outline the reasons why biologists and anthropologists hypothesize that humans diverged from other primates.

- Henrich, Joseph (2016). *The Secret of Our Successes: How Culture is Driving Human Evolution, Domesticating Our Species, and Making us Smarter*. Chapters 1-5.

## The Neolithic Revolution

It is common to trace the roots of economic growth to the Neolithic Revolution, the transition between hunting/gathering and farming. Jared Diamond, for example, refers to the Neolithic Revolution as the “starting line”. This lecture examines what we know about it and how to interpret it. What caused the transition to farming and herding and what were its consequences?

- Diamond, Jared (1997). *Guns, Germs and Steel*, New York: W.W. Norton and Co. Chapter 4 pp. 85-92.
- Acemoglu and Robinson (2012). *Why Nations Fail*. Chapter 5 “Growth under Extractive Institutions” Sections 1-3.

## Long Run Economic Growth and Stagnation

This lecture examines why economic growth was not sustained for thousands of years after the Neolithic Revolution. It considers different theories for why ancient empires – such as Rome and the Mayan Empire – rose and fell.

- Acemoglu and Robinson (2012). *Why Nations Fail*. Chapter 5 “Growth under Extractive Institutions” Section 4.
- Jongman, Willem M. (2007) “Gibbon was Right: The Decline and Fall of the Roman Economy,” in O. Hekster et. al. eds. *Crises and the Roman Empire*, Brill.
- Martin, Simon and Nikolai Grube (2000) *Chronicle of the Maya Kings and Queens: Deciphering the Dynasties of the Ancient Maya*, New York: Thames and Hudson, Introduction pp. 6-23, Tikal pp. 24-53, Palenque pp. 154-175, Copan, pp. 190-213.
- Webster, David L. (2002) *The Fall of the Ancient Maya*, New York: Thames and Hudson. Chapters 7 and 10.

- Morris, Ian (2004) “Economic Growth in Ancient Greece,” *Journal of Institutional and Theoretical Economics*, 160, 709-742.

## **An Introduction to Growth Theory**

This lecture provides an introduction to the basic theoretical building blocks used to study modern economic growth. It introduces the Solow growth model and the poverty trap model.

- Weil, David (2005) *Economic Growth*, New York: Pearson, Chapters 1 and 2.

## **The Beginning of Modern Economic Growth**

Why did sustained economic growth begin when it did, and why did it begin in England and not elsewhere? These lectures will outline the many theories about why the remarkable economic growth that has characterized the past 200 years began when and where it did.

- Mokyr (1990) *Lever of Riches*. Chapter 5 “The Years of Miracles”
- Acemoglu and Robinson (2012). *Why Nations Fail*. Chapter 7 “The Turning Point.”

## **Why Did Sustained Growth Spread to Some Places and Not Others?**

Traditionally, the economics literature has highlighted three main classes of explanations for why some places have grown much more than others since the beginning of modern economic growth two hundred years ago: institutions, culture, and geography. Institutions are the rules of the game according to which society operates. They can be formal (i.e. laws, constitutions, etc.) or informal (i.e. social norms). Culture consists of the beliefs that individuals have about how the world operates. In this class, we treat institutions and culture as closely related explanations since beliefs likely affect norms, and norms reinforce beliefs. Geography includes factors like distance from the coast, terrain ruggedness, weather, and climate change. This lecture will examine the main arguments that have been given for each of these explanations.

- Acemoglu, Daron, Johnson, Simon and Robinson, James (2006) “Institutions as a Fundamental Cause of Long-Run Growth” in *Handbook of Economic Growth*, Aghion, Philippe and Durlauf, Steven, eds. Amsterdam; North-Holland.
- Nunn N. (2012). “Culture and the Historical Process.” *Economic History of Developing Regions*. 2012;27, pp.108-126.
- Sachs, Jeffrey D. *Institutions don't rule: direct effects of geography on per capita income*. No. w9490. National Bureau of Economic Research, 2003.

## **Economic Growth in Europe**

Why did the industrial revolution spread much faster to some parts of Europe than to others? How do the incentives of politicians and other elites affect the spread of innovative technologies?

- Acemoglu, Daron, et al. *The consequences of radical reform: The French Revolution*. No. w14831. National Bureau of Economic Research, 2009.
- Mokyr (1990). *Lever of Riches*. Chapter 10 “The Industrial Revolution: Britain and Europe”.
- Acemoglu, Daron, and James A. Robinson. "Economic backwardness in political perspective." *American Political Science Review* 100.01 (2006): 115-131. (Don't worry about the model, focus on the case studies and qualitative arguments)

## The Americas in Comparative Perspective

Why is the U.S. much richer than Latin America? Why are some places in Latin America so much poorer than others? Does inequality play a role in explaining these income differences? What about other differences in historical institutions?

- Dell, M. (2010). “The persistent effects of Peru's mining mita.” *Econometrica*, 78(6), 1863-1903.
- Engerman, S. L., & Sokoloff, K. L. (2002). “Factor endowments, inequality, and paths of development among new world economics” (No. w9259). National Bureau of Economic Research.
- Acemoglu, D., Johnson, S., & Robinson, J. A. (2002). “Reversal of fortune: Geography and institutions in the making of the modern world income distribution.” *Quarterly journal of economics*, 1231-1294.
- Coatsworth, John H. (2008). “Inequality, Institutions and Economic Growth in Latin America,” *Journal of Latin American Studies*, 40, 545–569, 2008.

## U.S. Economic Ascendancy

Why did the U.S. industrialize rapidly starting in the nineteenth century? Why did some parts of the U.S. industrialize earlier than others? What role did slavery and its legacy play in U.S. economic growth?

- Goldin, C. and L. Katz. *The Race Between Education and Technology*, chapter 1.
- Donaldson, Dave, and Richard Hornbeck. “Railroads and American Economic Growth: A Market Access Approach.” No. w19213. National Bureau of Economic Research, 2013.
- Bateman, Fred and Thomas Weiss (1981) *A Deplorable Scarcity: The Failure of Industrialization in the Slave Economy*, Chapel Hill: University of North Carolina Press. Chapter 1.

## Long Run Economic Development in Africa

Why has growth been lower in much of Africa compared to the rest of the world? What role do the slave trades, colonialism, and other historical factors play?

- Acemoglu and Robinson (2010). "Why is Africa Poor?" *Economic History of Developing Regions*, 25, no. 1, 21-50.
- Nunn N. The Long Term Effects of Africa's Slave Trades. *Quarterly Journal of Economics*. 2008;123(1):139-176.
- Nunn, N., & Puga, D. (2012). Ruggedness: The blessing of bad geography in Africa. *Review of Economics and Statistics*, 94(1), 20-36.
- Nunn, Nathan, and Leonard Wantchekon. 2011. "The Slave Trade and the Origins of Mistrust in Africa." *American Economic Review*, 101(7): 3221-52.
- Michalopoulos, S., & Papaioannou, E (2014). National Institutions and Subnational Development in Africa. *The Quarterly Journal of Economics*, 129(1), 151-213.

## States and Development in Asia and the Middle East

Many Asian states were highly commercialized and had similar income levels and technology to Europe at the beginning of the Industrial Revolution. Why did Asia and the Middle East fall behind Europe economically? What roles did pre-colonial states and colonialism play in their development trajectory? Why have some Asian economies grown much more than others during the 20<sup>th</sup> century?

- Dell, M. and P. Querubin (2015). "State Capacity, Local Governance, and Economic Development in Vietnam."
- Reid, Anthony (1993) *Southeast Asia in the Age of Commerce, 1450-1680, Volume 2, Expansion and Crisis*, New Haven: Yale University Press. Chapter 1 "The Age of Commerce, 1400-1650", Chapter IV "Problems of the Absolutist State", Chapter V "Origins of Southeast Asian Poverty".
- Pamuk, Sevket (2014) "Institutional Change and Economic Development in the Middle East, 700-1800," in Larry Neal and Jeffrey G. Williamson eds. *The Cambridge History of Capitalism*, New York: Cambridge University Press.

## The East Asian Miracle

The rapid growth of South Korea, Taiwan, and other East Asian economies during the second half of the 20<sup>th</sup> century provides one of the most spectacular examples of rapid and equitable growth in human history. There have been extensive debates about the role that state policies played in the East Asian "growth miracle."

- Evans, P. (1995). *Embedded Autonomy: States and Industrial Transformation*. Princeton: Princeton University Press, 1995. Chapter 1.
- Perkins, D. (2013). *East Asian Development: Foundations and Strategies*. Ch. 3 "Government Interventions versus Laissez-Faire in Northeast Asia."

## Path Dependence and Development

Many of the studies considered thus far examine how major ways in which societies were organized historically can have important long-run consequences for economic growth. This lecture considers the extent to which smaller, typically inconsequential events can have important long-run impacts because of their timing. This suggests a view of the world in which the influence of history can be very non-linear and highly persistent.

- Dell, M. (2015). "Path Dependence in Development: Evidence from the Mexican Revolution." *Mimeo*
- Bleakley, H., & Lin, J. (2012). "Portage and path dependence." *The Quarterly Journal of Economics*, 127(2), 587.

## Geography and Economic Growth

What impact might geography have on economic growth, in both the short and long run?

- Diamond, Jared (1997). *Guns, Germs and Steel*, New York: W.W. Norton and Co. Chapter 4 pp. 85-92.
- Sachs, Jeffrey D. *Institutions don't rule: direct effects of geography on per capita income*. No. w9490. National Bureau of Economic Research, 2003.
- Dell, M., Jones, B., & Olken, B. (2009). "Temperature and Income: Reconciling New Cross-Sectional and Panel Estimates." In *American Economic Review Papers and Proceedings* (Vol. 99, No. 2, pp. 198-204).

## Climate Change and Poverty

How is climate change impacting economic growth? Does it differentially impact poorer countries? Will it increase conflict?

- Dell, M., Jones, B. F., & Olken, B. A. (2012). Temperature shocks and economic growth: Evidence from the last half century. *American Economic Journal: Macroeconomics*, 4(3), 66-95.
- Dell, M., Jones, B. F., & Olken, B. A. (2014). What do we learn from the weather? The new climate-economy literature *Journal of Economic Literature*. Sections 1 and 3.

## Trade and Development

The final set of lectures will consider how globalization and international relations in the 20<sup>th</sup> century have impacted economic development and growth. This lecture examines different theories and evidence about the impacts of globalization and trade integration on economic development and inequality.

- Atkin, D. (2014). “Endogenous Skill Acquisition and Export Manufacturing in Mexico,” mimeo.
- Singer, H. W. (1950). The distribution of gains between investing and borrowing countries. *The American Economic Review*, 473-485.
- Berger D, Easterly W, Nunn N, Satyanath S. (2013). “Commercial Imperialism? Political Influence and Trade During the Cold War.” *American Economic Review*. 103(2). 863-896.

## Foreign Military Intervention

What are the impacts of foreign military intervention on governance, civic society, and economic development? Can a state be built in a weakly institutionalized society through military intervention, or is such an approach likely to backfire? How does politics in the intervening country impact how foreign interventions are conducted? We examine these questions in the context of one of the largest foreign nation-building interventions of the past century: the Vietnam War.

- Dell, Melissa and Pablo Querubin (2016). “Nation Building in Vietnam.”
- For those who would like a lucid and easy-to-read introduction to the war, how the U.S. became involved, and the backlash of U.S. public opinion that followed, I highly recommend Appy, C. (2015) *The Vietnam War and Our National Identity* (available on Kindle, not required reading).
- Dube, A., Kaplen, E., and Naidu, S. (2011). “Coups, Corporations, and Classified Information” *Quarterly Journal of Economics*.

## Transnational Organized Crime

How do transnational organized crime networks impact efforts to build a state and to promote public safety and stability in weakly institutionalized settings? We will examine these questions in the context of the Italian mafia and the War on Drugs.

- Forward by Charles Tilly to Blok, A. (1974). *The Mafia of a Sicilian village, 1860-1960: a study of violent peasant entrepreneurs*. New York & Oxford: Blackwell. (The full book also comes highly recommended for those with an interest in this topic.)
- Dell, M. (2015) “Trafficking Networks and the Mexican Drug War.” Forthcoming, *American Economic Review*.
- Gambetta, D. (1996). *The Sicilian Mafia: the business of private protection*. Harvard University Press, Chapter 1.

## Foreign Aid

Can foreign aid be an effective means of promoting economic growth? This lecture will consider a range of evidence, from the Marshall Plan and economic aid to East Asia in the 1950s to food aid today.

- Nunn N, Qian N. (2014). "U.S. Food Aid and Civil Conflict." *American Economic Review*. 104(6):1630-1666.
- Alesina, A., & Dollar, D. (2000). Who gives foreign aid to whom and why? *Journal of economic growth*, 5(1), 33-63.
- Yager, J. A. (1988). *Transforming agriculture in Taiwan: the experience of the joint commission on rural reconstruction*. Cornell University Press, chapter 1.