

## The Modern World Economy

This course examines the evolution of the world economy from 1870 to the present. It analyzes how technological change affects economic possibilities, and how socio-political institutions affect the economic choices people make.

The course begins with the fifty years before World War One, in which the world economy was tightly integrated. It then explores the years from World War One through World War Two, during which the world's economies turned inward. The class ends with the last sixty years, when the global economy gradually became more closely linked.

The purpose of the course is to explain the sources and effects of trends in the international economy. It is intended to provide basic tools with which to understand the evolution of the world's political economy.

**Requirements.** The formal requirements for the course are as follows:

- An in-class midterm examination, on November 15, which counts as 15 percent of the final grade.
- A three-hour final examination, which counts as 30 percent of the final grade.
- One essay assignment, a paper of approximately 2500 words (7-10 pages) on one of a set of topics. The questions for the assignment will be handed out at the end of class December 8, and the essays are due at the beginning of class December 13. The essay counts as 20 percent of the final grade; substantial penalties will be imposed for late papers.
- Two short papers, each 3-4 pages, answering one of a number of specified questions on the study guide. The essay must be turned in to your TF in lecture on the first day that the topic is scheduled to be covered in lecture (dates indicated on study guides). One of the papers has to be submitted *prior* to the midterm exam on November 15. Each paper counts for 10 percent of the final grade; substantial penalties will be imposed for late papers.
- Participation in section, which counts as 15 percent of the final grade.

**Readings.** Readings will be drawn from a variety of sources. The first is the following text, available for purchase at the Coop:

Rondo Cameron and Larry Neal, *A Concise Economic History of the World* fourth edition (New York: Oxford University Press, 2003)

The second source of readings is Jeff Frieden, *The World Economy in the Twentieth Century*, a draft manuscript; sections are assigned as indicated on the reading list. The manuscript is available in pdf format on the class website; a hard copy is also available for purchase.

There are also substantial additional **required** readings on this reading list. All readings are on reserve in Lamont and Hilles libraries, and are also available in a sourcebook. Several sourcebooks will be placed on reserve. Readings that are available in the sourcebook are indicated in the syllabus with an asterisk (\*).

It is also recommended that students purchase the following:

Graham Bannock, R.E. Baxter, and Evan Davis, *The Penguin Dictionary of Economics* 6<sup>th</sup> edition (New York: Penguin, 1998)

Randy Charles Epping, *A Beginner's Guide to the World Economy* Revised edition (New York: Vintage Books, 2001)

Required and recommended books for this course are also available for purchase at the Harvard Bookstore, 1256 Massachusetts Avenue.

Professor Frieden's office hours are Tuesdays 10-11:30 AM and 2-3:30 PM. His office is 1033 Massachusetts Avenue, Room 212. His telephone number is 496-2386, and his email address is [jfrieden@harvard.edu](mailto:jfrieden@harvard.edu).

**Course web site.** <http://www.courses.fas.harvard.edu/~hsa51/>

## ***PART I: INTRODUCTION***

### **September 20                      *Introduction and Overview***

Cameron and Neal, pages 3-19

### **September 22                      *Prologue to the late nineteenth century***

Cameron and Neal, pages 160-186

Frieden, Prologue: *Into the Twentieth Century*

\*Sir Alexander Fleck, "Technology and Its Social Consequences,"  
In *A History of Technology* Ed. Charles Singer, et. al.  
(Oxford: The Clarendon Press, 1958), pages 814-841

\*Friedrich Engels, "The Condition of the Working Class in England  
in 1844," In *Industrialization and Industrial Labor in  
Nineteenth-Century Europe* Ed. James J. Sheehan (New  
York: John Wiley and Sons, 1973), pages 13-32

\*Elizabeth Bentley, "Factory Conditions, c. 1815," in *Eyewitness to  
History* Ed. John Carey (Cambridge: Harvard University  
Press, 1987), pages 295-8

## **PART II: FROM THE GREAT DEPRESSION TO WORLD WAR ONE, 1873-1914**

### **September 27 and 29      Overview: *The Golden Age***

Cameron and Neal, pages 187-289  
Frieden, Chapter 1: *A global economy triumphant*

\*John Maynard Keynes, "Europe Before the War," In *The Economic Consequences of the Peace* (New York: Harcourt, Brace, and Howe, 1920), pages 9-26

### **October 4 and 6      *International trade and industry***

Frieden, Chapter 2: *Defenders of the global economy*

\*Peter A. Gourevitch, "International Trade, Domestic Responses, and Liberty: Comparative Responses to the Crisis of 1873-1896," *Journal of Interdisciplinary History*. 8:2 (Autumn 1977), 281-313.

\*Ronald Rogowski, *Commerce and Coalitions: How Trade Affects Domestic Political Alignments* (Princeton: Princeton University Press, 1989), pp. 3-20.

Cheryl Schonhardt-Bailey, *Free Trade: The Repeal of the Corn Laws*, ed. (England: Thoemmes Press, 1996), "Introduction," pages xi-xxvii

### **NO CLASS, MONDAY, OCTOBER 11 – COLUMBUS DAY**

### **October 13 and 18      *The international movement of money, capital, and people***

Cameron and Neal, pages 290-338  
Frieden: Chapter 3: *Success stories of the Golden Age*

\*Jeffrey G. Williamson, "Globalization and Inequality, Past and Present," *The World Bank Research Observer*, Vol. 12 No. 2 (1997), pages 117-135.

**October 20, 25, and 27**      ***Divergent patterns of economic development;  
colonial imperialism***

Frieden: Chapter 4: *Failures of development*  
Chapter 5: *Problems of the global economy*

\*V.I. Lenin, "Selections from *Imperialism: The Highest Stage of Capitalism*," In *International Political Economy* Eds. Jeffrey A. Frieden and David A. Lake (New York: St. Martin's Press, 1995), pages 110-119

\*C.B. Schedvin, "Staples and Regions of Pax Britannica," *Economic History Review* 43 (1990), pages 533-559

\*Anthony G. Hopkins, "The Economic Basis of Imperialism," in *An Economic History of West Africa* (London: Longman, 1973), pages 124-166

\*Stanley Engerman and Kenneth Sokoloff, "History Lessons: Institutions, Factor Endowments, and Paths of Development in the New World," *Journal of Economic Perspectives*. Vol. 14 No.3 (2000), 217-232.

***PART III: FROM WORLD WAR ONE TO WORLD WAR TWO, 1914-1945***

**November 1 and 3**      ***Trade, money, and finance: recovery and collapse***

Frieden, Chapter 6: *The World War and the world economy*  
Chapter 7: *The world of tomorrow*  
Chapter 8: *The established order collapses*

\*Barry Eichengreen and Peter Temin, "The Gold Standard and the Great Depression," *Contemporary European History* July 2000. Earlier version available at:  
<http://emlab.berkeley.edu/users/eichengr/research.htm>

**November 8 and 10**      ***The new economic nationalism – fascism, communism, anti-imperialism***

Cameron and Neal, pages 339-361  
Frieden, Chapter 9: *The turn to autarky*  
Chapter 10: *Building a social democracy*

\*Paul Bookbinder, "The German Economy and the Weimar Republic," in *Weimar Germany* (London: Manchester University Press, 1996), pages 161-176

\*Brian R. Tomlinson, "India and the British Empire, 1880-1935," *Indian Economic and Social History Review* 12 No. 4 (1975), pages 337-380

\*Alec Nove, *An Economic History of the USSR* (New York: Penguin, 1972), pages 160-223

**November 15**      ***In-class midterm examination***

## ***PART IV: FROM WORLD WAR TWO TO THE PRESENT***

**November 17**

### ***Settlement and reconstruction***

Frieden, Chapter 11: *Reconstruction East and West*

\*Fred Block, "The Marshall Plan," in *The Origins Of International Economic Disorder* (Berkeley: University of California Press, 1977), pages 70-108

\*Excerpts from *Foreign Affairs* 76 No. 3 (1997), on the Marshall Plan:

- George C. Marshall, "Against Hunger, Poverty, Desperation and Chaos: The Harvard Address," page 161
- Diane B. Kunz, "The Marshall Plan Reconsidered," pages 162-170
- David Reynolds, "The European Response: The Primacy of Politics," pages 171-184

**November 22 and 24**

### ***Trade, money, and finance in the heyday of Bretton Woods, 1950-1973***

Cameron and Neal pages 362-386

Frieden, Chapter 12: *The Bretton Woods system in action*

Chapter 15: *The end of Bretton Woods*

\*Barry Eichengreen and Peter B. Kenen, "Managing the World Economy Under the Bretton Woods System: An Overview," in *Managing the World Economy: Fifty Years After Bretton Woods* Ed. Peter Kenen (Washington, D.C.: Institute for International Economics, 1994), pages 3-37

**November 29 and December 1 *Trade, money, and finance since 1973***

Cameron and Neal, pages 387-402  
 Frieden, Chapter 16: *Crisis and change*  
 Chapter 17: *Globalizers victorious*

\*Edward M. Graham, *Fighting the Wrong Enemy: Antiglobal Activists and Multinational Enterprises* (Washington: Institute for International Economics) 2000, Chapters 4 and 5.

Non-printable version available online at:

[http://bookstore.iese.com/merchant.mvc?Screen=PROD&Product\\_Code=91](http://bookstore.iese.com/merchant.mvc?Screen=PROD&Product_Code=91) (scroll to the bottom of the page)

\*Dani Rodrik, "The Debate Over Globalization: How to Move Forward by Looking Backward," in *Launching New Global Trade Talks*, Ed. Jeffrey J. Schott (Washington: Institute for International Economics), pages 25 – 38.

\*Richard B. Freeman, "Are Your Wages Set in Beijing?" *Journal of Economic Perspectives* Vol. 9 No. 3 (1995) 15-31

\*Alan Deardorff and Robert Stern, "What You Should Know About Globalization and the WTO." *Review of International Economics* 10, no. 3 (2002). Also available at <http://www-personal.umich.edu/~alandear/writings/what-rie.pdf>

\*Jeffrey Frankel, "Trade Blocs: Barriers or Stepping Stones for Global Trade," *African Finance Journal*, Volume 2, Part 1, 2000. Also available at <http://ksghome.harvard.edu/~jfrankel.academic.ksg/AFJtradeVanc.pdf>

**December 6, 8, and 13    *Decolonization and problems of development***

Frieden, Chapter 13: *Decolonization and development*

Chapter 18: *Countries catch up*

Chapter 19: *Countries fall behind*

\*D.K. Fieldhouse, *Black Africa 1945-1980: Economic Decolonization and Arrested Development*, (London: Unwin Hyman, 1986), pages 3-26

\*Eliana Cardoso and Ann Helwege, "From Import Substitution to Trade Liberalization," in *Latin America's Economy: Diversity, Trends, and Conflicts* (Cambridge: MIT Press, 1993), pages 73-107.

\*David Dollar and Art Kraay, "Spreading the Wealth," *Foreign Affairs* 81:1 (Jan./Feb. 2002), p.120-134.

\*Critiques of Dollar and Kraay by Galbraith, Pitts, Wells-Dang; and a response by Dollar and Kraay in *Foreign Affairs* 81:4 (July/Aug. 2002) p.177-182

\*Roberto Chang, "Understanding Recent Crises in Emerging Markets," *Federal Reserve Bank of Atlanta Economic Review* Second Quarter 1999, pages 6-16. Also available online at [http://www.frbatlanta.org/publica/eco-rev/rev\\_abs/99er/q2/chang.pdf](http://www.frbatlanta.org/publica/eco-rev/rev_abs/99er/q2/chang.pdf)

\*Joseph Stiglitz, "The Insider," *New Republic* April 17-24, 2000, pages 56-60.

\*Kenneth Rogoff, "An Open Letter By [Kenneth Rogoff](#), Economic Counsellor and Director of Research, International Monetary Fund To Joseph Stiglitz, Author of *Globalization and Its Discontents*," July 2, 2002. Available at: <http://www.imf.org/external/np/vc/2002/070202.htm>

**TAKE-HOME ESSAY TOPICS DISTRIBUTED AT END OF CLASS DECEMBER 8, DUE AT START OF CLASS DECEMBER 13**

**December 15      *Spread, crisis, and collapse of central planning***

Frieden, Chapter 14: *Socialism in many countries*

\*Jan Svejnar, "Transition Economies: Performance and Challenges," *Journal of Economic Perspectives* Vol. 16, No.1 (Winter 2002) pages 3–28.

\*Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle Between Government and the Marketplace that is Remaking the Modern World* (New York: Simon and Schuster, 1998), pages 262-295.

**December 20      *Conclusion***

Frieden, Chapter 20: *Globalization troubled*

\*International Monetary Fund, "The World Economy in the Twentieth Century: Striking Developments And Policy Lessons," Chapter 5 of *World Economic Outlook: Asset Prices and the Business Cycle* May 2000, p.149-180. Also available at:  
<http://www.imf.org/external/pubs/ft/weo/2000/01/>

\*Pranab Bardhan, "Social Justice in the Global Economy," International Institute for Labour Studies, 2000.