

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 April 2, which counts as 15 percent of the final grade.
- A three-hour final examination, which counts as 30 percent of the final grade.
- Two essay assignments, each a paper of approximately 2500 words (7-10 pages) on one of a set of topics. The questions for the assignments will be handed out at the end of class March 7 and April 25 and are due at the beginning of class March 12 and April 30, respectively. Each essay counts as 20 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 two are the following books, 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)

Jeffrey Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W. W. Norton, 2006)

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* 7th edition (New York: Penguin, 2004)

Randy Charles Epping, *A Beginner's Guide to the World Economy* 3rd 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. You can sign up for office hours by using the sign-up tool at

<http://my.harvard.edu/icb/icb.do?course=fas-hsa51&pageid=tk.page.hsa51.signup>

Professor Frieden's office is at 1737 Cambridge Street, Room N211. His telephone number is 496-2386, and his email address is jfrieden@harvard.edu.

Course web site. <http://my.harvard.edu/icb/icb.do?keyword=k10233>

PART I: INTRODUCTION

January 31 *Introduction and Overview*

Cameron and Neal, pages 3-19

February 5 *Prologue to the late nineteenth century*

Cameron and Neal, pages 160-186

Frieden, pages 1-10

“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

February 7 and 12 *Overview: The Golden Age*

Cameron and Neal, pages 187-289

Frieden, pages 13-27

“Chapter 1: Global Capitalism 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

February 14 and 21 ***International trade and industry***

Frieden, pages 28-55

“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, FEBRUARY 19 – PRESIDENTS’ DAY

February 26 and 28 ***The international movement of money, capital, and people***

Cameron and Neal, pages 290-338

Frieden, pages 56-79

“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.

March 5 and 7

***Divergent patterns of economic development;
colonial imperialism***

Frieden, pages 80-123

“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.

***FIRST PAPER TOPICS DISTRIBUTED AT END OF CLASS MARCH 7,
DUE AT START OF CLASS MARCH 12***

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

March 12 and 14 ***Trade, money, and finance: recovery and collapse***

Frieden, pages 127-194

“Chapter 6: All That is Solid Melts into Air....”

“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.

March 19 and 21 ***The new economic nationalism – fascism, communism, anti-imperialism***

Cameron and Neal, pages 339-361

Frieden, pages 195-250

“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

MARCH 24-APRIL 1: SPRING RECESS

April 2 ***In-class midterm examination***

PART IV: FROM WORLD WAR TWO TO THE PRESENT

April 4 *Settlement and reconstruction*

Frieden, pages 253-277

“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

April 9 and 11 *Trade, money, and finance in the heyday of Bretton Woods, 1950-1973*

Cameron and Neal pages 362-386

Frieden, pages 278-300 and 339-360

“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

April 16 and 18 *Trade, money, and finance since 1973*

Cameron and Neal, pages 387-402
 Frieden, pages 363-412
 "Chapter 16: Crisis and Change"
 "Chapter 17: Globalizers Victorious"

Jeffrey Frankel, "Globalization of the Economy," in *Governance in a Globalizing World*, edited by Joseph Nye and John Donahue (Washington: Brookings Institution Press, 2000), pages 45-70.

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

Richard B. Freeman, "People Flows in Globalization," *Journal of Economic Perspectives* Vol 20 No. 2 (2006), pages 145-170

*Alan Deardorff and Robert Stern, "What You Should Know About Globalization and the WTO." *Review of International Economics* 10, no. 3 (2002).

April 23 and 25 *Decolonization and problems of development*

Frieden, pages 301-320 and 413-456
 "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.
- *Eduardo Lora, Ugo Panizza, and Myriam Quispe-Agnoli, "Reform Fatigue: Symptoms, Reasons, and Implications," *Federal Reserve Bank of Atlanta Economic Review* Second Quarter 2004, pages 1-28.
- *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 APRIL 25,
DUE AT START OF CLASS APRIL 30**

April 30 *Spread, crisis, and collapse of central planning*

Frieden, pages 321-338

"Chapter 14: Socialism in Many Countries"

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

May 2 **Conclusion**

Frieden, pages 457-476

“Chapter 20: Global Capitalism 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/>

*Richard Easterlin, “The Worldwide Standard of Living Since 1800,” *Journal of Economic Perspectives* 14, No. 1 (Winter 2000), pages 7-26

*Dani Rodrik, “How Far Will International Economic Integration Go?” *Journal of Economic Perspectives* 14, No. 1 (Winter 2000), pages 177-186

*Pranab Bardhan, *Social Justice in the Global Economy* (Geneva: International Labour Organization, 2000)