

Queen's University[†]
ECON 430: Issues in Economic History
Fall Term, 2010
Monday 11:30 am - 1:00 pm and Thursday 1:00 pm - 2:30 pm
Macintosh-Corry Hall Room E229

Contact Information:

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Outline:

In 1957 Robert Solow published one of the most widely cited articles in economics. In this article he describes an empirically tractable approach to measuring the productivity of an entire production process simultaneously. He shows that between 1909-1949 the majority of US growth can be attributed to this "residual" or "total factor productivity". Since the publication of this paper economists have undertaken a vast research effort directed towards understanding the determinants of TFP and its role in the process of endogenous and exogenous economic growth. Real business cycle models assume that movements in TFP are the result of exogenous technological shocks. More sophisticated studies of the relationship between growth trends, cycles, and productivity movements typically emphasize the endogeneity inherent in the evolution of TFP performance. Economic historians have played a vital role in shaping our view of Solow's residual as an idiosyncratic determinant of growth that changes fluidly across time and nations. In this course we will investigate the relationship between TFP performance and technology, market integration, resource exploitation, input quality, and institutions.

This is a topics course with no obvious chronological pattern among the papers or issues we will cover. However, for the most part we will confine our attention to the last third of the nineteenth century and the first third of the twentieth century. The focus will be on North America, although many of the issues we will discuss are fundamentally international in nature. This is an applied economics course in which students will use the tools they have acquired in their theory and econometrics courses to study real world economic and social problems with real data. ECON 430 students must have completed intermediate micro, macro, and econometrics. In particular, I will assume students have a basic knowledge of statistics, linear OLS regression techniques, production and consumption theory, and exogenous growth models.

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Broadly Defined Topics and an Approximate Lecture Schedule:

- (1) Introduction to Economic History and Solow's Residual (Week 1)
- (2) Trends, Cycles, and the Residual (Week 2)
- (3) Scale Economies and Biased Technological Change (Week 3-4)
- (4) Globalization and Integrating Markets (Week 5-7)
- (5) Developing and Importing Human Capital (Week 8-9)
- (6) Market Power, Resource Rents, and Economic Profits (Week 10)
- (7) Institutions, Property Rights, and Constitutions (Week 11-12)

Requirements:

A midterm exam will be written in class (75 minutes) on Monday, October 25.

Students will complete a research intensive term paper of approximately 15 (double spaced) pages in length. The papers must be submitted directly to the professor, or left in the ECON 430 drop box on the second floor of Dunning Hall, no later than 4:00 pm on Thursday, November 25.

NOTE: In addition to a hard copy submitted in class on November 25, an electronic version of all term papers **MUST** be submitted to econ430papers@econ.queensu.ca before a course grade can be assigned. The papers will be checked for plagiarism.

A late penalty of 2% per day (including weekends) will be applied to all papers submitted past the due date. No papers will be accepted after the last day of classes (Friday, December 3).

A final exam will be written during the December exam period.

Grade Distribution:

The midterm exam will be worth 25% of the final grade.

The term paper will be worth 35% of the final grade.

The final exam will be worth 40% of the final grade.

Faculty of Arts and Science Statement on Academic Integrity:

Academic integrity is constituted by the five core fundamental values of honesty, trust, fairness, respect and responsibility (see www.academicintegrity.org). These values are central to the building, nurturing and sustaining of an academic community in which all members of the community will thrive. Adherence to the values expressed through academic integrity forms a foundation for the "freedom of inquiry and exchange of ideas" essential to the intellectual life of the University (see the Senate [Report on Principles and Priorities](#)).

Students are responsible for familiarizing themselves with the regulations concerning academic integrity and for ensuring that their assignments conform to the principles of academic integrity. Information on academic integrity is available in the Arts and Science Calendar (see Academic Regulation 1), on the Arts and Science website (see www.queensu.ca/calendars/artsci/pg532.html), and from the instructor of this course.

Departures from academic integrity include plagiarism, use of unauthorized materials, facilitation, forgery and falsification, and are antithetical to the development of an academic community at Queen's. Given the seriousness of these matters, actions which contravene the regulation on academic integrity carry sanctions that can range from a warning or the loss of grades on an assignment to the failure of a course to a requirement to withdraw from the university.

Course Home Page:

Announcements, overheads, and readings will be posted on the course home page. Students should check this page regularly during term.

<http://qed.econ.queensu.ca/pub/faculty/keayi/econ430.html>

Required and Suggested Readings:

There is no assigned text book for this course. A course reading package that includes all required readings is available on reserve at Stauffer Library. Many of the required readings can be downloaded from a Queen's IP address from online journal archives available through the library's home page. These readings are marked (DL). Other required readings can be downloaded in PDF format from the course home page.

All required readings are marked with an (*).

Suggested readings are unmarked. There will be no presumption that students have read the suggested material, but these articles provide context and greater depth, and may be very helpful for some students.

Reading List:

(1) Introduction to Economic History and Solow's Residual

- Economic History and Cliometrics

Goldin (1995), "Cliometrics and the Nobel", in Journal of Economic Perspectives, Pg. 191-208.

David (1985), "Clio and the Economics of QWERTY" in American Economic Review Papers and Proceedings, Pg. 332-37.

- The Solow Residual

(* - DL) Solow (1957), "Technical Change and the Aggregate Production Function", in Review of Economics and Statistics, Pg. 312-20.

(* - DL) Abramovitz (1962), "Economic Growth in the United States: A Review Article", in American Economic Review, Pg. 762-82.

Jorgenson and Griliches (1967), "The Explanation of Productivity Change", in Review of Economic Studies, Pg. 249-80.

(2) Trends, Cycles, and the Residual

- Identifying Trends and Cycles: Time Series Techniques

(*) Cuddington, Ludema and Jayasuriya (2007), "Prebisch-Singer Redux", in Natural Resources: Neither Curse nor Destiny, Pg. 103-40.

(* - DL) Inwood and Stengos (1991), "Discontinuities in Canadian Economic Growth, 1870-1985", in Explorations in Economic History, Pg. 274-86.

Serletis (1992), "The Random Walk in Canadian Output", in Canadian Journal of Economics, Pg. 392-406.

- Exogenous Technology Shocks and Procyclical TFP

(* - DL) Field (2010), "The Procyclical Behavior of Total Factor Productivity in the United States, 1890-2004", in Journal of Economic History, Pg. 326-50

Rebelo (2005), "Real Business Cycle Models: Past, Present, and Future", in Scandinavian Journal of Economics, Pg. 217-38.

(3) Scale Economies and Biased Technological Change

- Biased Technological Changes

(* - DL) Allen (2009), "The Industrial Revolution in Miniature: The Spinning Jenny in Britain, France, and India", in Journal of Economic History, Pg. 901-27.

(* - DL) Keay (2000), "Scapegoats or Responsive Entrepreneurs", in Explorations in Economic History, Pg. 217-40.

Ahmad (1966), "On the Theory of Induced Innovation", in Economic Journal, Pg. 344-57.

Habbakuk (1962), "The Economic Effects of Labor Scarcity", in American and British Technology in the 19th Century, Pg. 11-63.

Cain and Paterson (1986), "Biased Technical Change, Scale and Factor Substitution in American History", in Journal of Economic History, 1986, Pg. 153-64.

Acemoglu (1998), "Why Do New Technologies Complement Skills?", in Quarterly Journal of Economics, Pg. 1055-89.

- Scale Economies and Organizational Change

(* - DL) Chandler (1992), "Organizational Capabilities and the Economic History of the Industrial Enterprise", in Journal of Economic Perspectives, Pg. 79-100.

(*) Atack (1987), "Economies of Scale and Efficiency Gains in the Rise of the Factory in America", in Quantity and Quiddity, Pg. 286-335.

Sokoloff (1984), "Was the Transition from the Artisanal Shop to the Non-Mechanized Factory Associated with Efficiency Gains?", in Explorations in Economic History, Pg. 351-82.

Inwood and Keay (2010), "Industrial Development in Diverse Technological Environments: A Case Study from the Late Nineteenth Century", unpublished mimeo, Pg. 1-47.

(4) Globalization and Integrating Markets

- Globalization and Price Convergence

(* - DL) Williamson (1996), "Globalization, Convergence and History", in Journal of Economic History, Pg. 277-305.

Andrabi and Kuehlwein (2010), "Railways and Price Convergence in British India", in Journal of Economic History, Pg. 351-77.

O'Rourke and Williamson (1999), Globalization and History, Pg. 1-75.

- North American Capital Market Integration

(* - DL) Bodenhorn (1992), "Capital Mobility and Financial Integration in Antebellum America", in Journal of Economic History, Pg. 585-610.

(* - DL) Keay and Redish (2004), "The Micro-Economic Effects of Financial Market Structure", in Explorations in Economic History, Pg. 377-403.

Odell (1989), "The Integration of Regional and Interregional Capital Markets", in Journal of Economic History, Pg. 297-310.

Davis (1965), "The Investment Market, 1870-1914: The Evolution of a National Market", in Journal of Economic History, Pg. 355-99.

- North American Labour Market Integration

(* - DL) Coe and Emery (2004), "The Disintegrating Canadian Labour Market? The Extent of the Market Then and Now", in Canadian Journal of Economics, Pg. 879-97.

(* - DL) Rosenbloom (1996), "Was There a National Labor Market at the End of the 19th Century?", in Journal of Economic History, Pg. 626-56.

Boustan (2009), "Competition in the Promised Land: Black Migration and Racial Wage Convergence in the North, 1940-1970" in Journal of Economic History, Pg. 755-82.

(5) Developing and Importing Human Capital

- Education in North America

(* - DL) Goldin (2001), "The Human Capital Century and American Leadership", in Journal of Economic History, Pg. 263-92.

(* - DL) MacKinnon and Minns (2009), "The Impact of School Provision on Pupil Attendance: Evidence from the Early 20th Century", LSE Working Paper # 116/09, Pg.1-42.

O'Rourke and Williamson (1997), "Around the European Periphery, 1870-1913: Globalization, Schooling and Growth", in European Review of Economic History, Pg. 153-91.

- Migration

(* - DL) Borjas (1994), "The Economics of Immigration", in Journal of Economic Literature, Pg. 1667-93.

Hatton (1997), "The Immigrant Assimilation Puzzle in Late 19th Century America", in Journal of Economic History, Pg. 34-62

Green and MacKinnon (2001), "Slow Assimilation of British Immigrants in Canada", in Explorations in Economic History, Pg. 315-38.

(6) Market Power, Resource Rents, and Economic Profits

- The Value of Market Power

(* - DL) Bittner (2005), "An Event Study of the Rhenish-Westphalian Coal Syndicate", in European Economic History Review, Pg. 337-64.

Webb (1980), "Tariffs, Cartels, Technology, and Growth in the German Steel Industry, 1879-1914", in Journal of Economic History, Pg. 309-30.

- Resource Rents and Growth

(* - DL) Sachs and Warner (2001), "Natural Resources and Development: The Curse of Natural Resources", in European Economic Review, Pg. 827-38.

(* - DL) Keay (2007), "The Engine or the Caboose? Resource Industries and Twentieth Century Canadian Economic Performance", in Journal of Economic History, Pg. 1-32.

Lederman and Maloney (2007), "Trade Structure and Growth", in Natural Resources: Neither Curse nor Destiny, Pg. 15-39.

Findlay and Lundahl (1994), "Natural Resources, Vent for Surplus, and the Staples Theory", in From Classical Economics to Development Economics, Pg. 68-93.

(7) Institutions, Property Rights, and Constitutions

- Institutions and Growth

(* - DL) Acemoglu, Johnson, and Robinson (2001), "The Colonial Origins of Comparative Development", in American Economic Review, Pg. 1369-1401.

(* - DL) Engerman and Sokoloff (2000), "Institutions, Factor Endowments, and Paths of Development in the New World", in Journal of Economic Perspectives, Pg. 217-32.

- The Value of Well Defined Property Rights

(* - DL) Libecap (2007), "The Assignment of Property Rights on the Western Frontier: Lessons for Contemporary Environmental and Resource Policy", in Journal of Economic History, Pg. 257-91.

(*) Keay and Metcalf (2010), "The Impact of Judicial (In)Decision and (In)Secure Property Rights on Long Run Economic Growth", unpublished mimeo, Pg. 1-48.

Clay and Wright (2005), "Order without Law? Property Rights during the California Gold Rush", in Explorations in Economic History, Pg. 155-83.

- Do Constitutions Matter?

(* - DL) Grubb (2010), "Testing for the Economic Impact of the US Constitution: Purchasing Power Parity Across the Colonies Versus Across the States, 1748-1811", in Journal of Economic History, Pg. 118-45.

(* - DL) Berkowitz and Clay (2004), "Initial Conditions, Institutional Dynamics and Economic Performance: Evidence from the American States", William Davidson Institute Working Paper # 615, Pg. 1-41.

Term Paper Topics

Recently, the relationship between economic historians and economic theorists (particularly development and growth theorists) has become increasingly symbiotic. Historians are using theory much more explicitly than ever before to motivate their applied work, and to provide a more structural methodological approach to understanding the relationships they wish to study. Theorists, on the other hand, are beginning to understand the importance of path dependence, and the value of the testable hypotheses embodied in history's natural experiments. Historians' role in this intellectual "give and take" typically takes the form of empirical investigations that analyze specific case studies in great chronological and contextual detail.

Each student's ECON 430 term paper will take the form of a case study that explicitly references the underlying theoretical framework that motivates and provides structure for the investigation. The case studies may be on specific industries, nations, regions, eras in time, or episodes. Data collection and statistical work may play a central role in students' papers, but it will not be necessary or sufficient to incorporate data analysis into every paper. Detailed literature reviews, on the other hand, will be a necessary part of every paper. These reviews should include a discussion of the relevant theoretical work, and similar case studies that have been published on the same topic.

Below I provide 10 very broad topics that have robust theoretical foundations, a wide range of possible case studies, and a body of recent research published in the top academic economic history journals. If students wish to undertake a case study that is not on this list, they are more than welcome to do so (indeed I strongly encourage students to think of questions and case studies that interest them, but are not on this list). However, if you choose to write on your own topic, before you begin writing (ie. no later than Monday, November 15) you MUST submit a short (1-2 page) proposal to me that describes your proposed topic, the relevant theory, and your specific case study. This paper proposal should also include at least 5 relevant references that you plan to use.

• Very Broadly Defined Potential Term Paper Topics

- (1) Creative Destruction and Structural Change
- (2) Cartel Formation
- (3) Kinship Networks
- (4) Gravity Models in International Trade
- (5) Biological Standards of Living
- (6) Sovereign Debt Crises
- (7) Political Economy Models
- (8) Externalities and Resource/Land Based Development
- (9) Labour Market Matching
- (10) Corporate Governance

OR Choose your own topic - with the approval of the instructor.