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## **Economics 2328: The Emergence of Modern Economic Growth: A Comparative and Historical Analysis**

### **2.30-4 CGIS South S-001. Monday and Wednesday, 2009**

Why did modern economic growth emerge in Europe first and not in China or Africa? What were the roles of economic and political institutions, geography, and culture? Why did modern economic growth spread to some places but not others and what accounts for the different paths that countries took into the modern world? This course gives an overview and analysis of comparative economic development during the last half millennia and examines the emergence of modern economic growth in Europe after 1500 as well as the forces that led to the great divergence in prosperity in the nineteenth and twentieth centuries. Also considered are colonialism, communism, fascism, and revolution.

It does so in the context of a book that Daron Acemoglu and I are writing on comparative development from a historical perspective tentatively called *Why Nations Fail*. The course is structured around the chapters of the book.

The aim of this course, and the book, is to get you to think about the big historical processes that have shaped the modern world. This means we have to read quite a bit of history and there are fewer models and regressions than in a normal graduate economics class. However, thinking and theorizing about these topics is more and more on the agenda of economists and so far we have barely scratched the surface of possibilities for using social science methods to study these issues. The mounting interest in these topics comes, I think, from the recognition that if we want to understand, for instance, how Haiti went from being the richest country in the Americas (and maybe the World) in 1790, to the poorest today, we won't make much progress using the Heston-Summers dataset or the World Bank governance indicators. The current poverty and dysfunctional nature of Haitian society is the outcome of a long historical process whose nature we'd like to understand and conceptualize. If we could do this properly, perhaps we'd be able to change it.

For those of you with little background in the history of the world economy you may find useful the overview provided by:

*A Concise Economic History of the World: From Paleolithic Times to the Present* (2002) by Rondo Cameron and Larry Neal, New York: Oxford University Press.

Wonderfully erudite, full of information and thought provoking is:

*The Lever of Riches: Technological Creativity and Economic Progress* (1990) by Joel Mokyr, New York: Oxford University Press.

Mokyr in particular emphasizes the evolution of technology which is a key part of the discussion in the class. I refer to specific chapters from this book as Mokyr (1990). The book is available for purchase at the Harvard Co-op.

A fascinating book in progress which covers the same scope as this course is

*Why the West is Ahead – For now* (2008) by Ian Morris

I refer to specific chapters from this book (which are on the class web site) as Morris (2008). An important and very interesting (if a little disorganized) book which is well worth reading is:

*The European Miracle*, 3<sup>rd</sup> Edition (2003) by Eric Jones, New York: Cambridge University Press.

Another very influential book which is very much worth reading is:

*The Rise of the Western World: A New Economic History* (1973), by Douglass C. North and Robert P. Thomas, New York; Cambridge University Press.

Particularly significant is part 3 of the book which proposes an institutional explanation of economic divergence in early modern Europe. This book is also available from the Harvard Co-op and I refer to specific chapters as North and Thomas (1973).

Another little book which broaches many of the themes of this course and which you can read in two hours is:

*Explaining Long-Term Economic Change* (1995) by J.L. Anderson, New York: Cambridge University Press.

Just as concise and well written is

*Why Europe? The Rise of the West in World History, 1500-1800*, (2008) by Jack Goldstone, New York: McGraw Hill.

This book is useful for covering a lot of the important new research on Chinese and Asian economic growth which has recently had a large impact on thinking in the field.

For those interested in economic history you'll find a huge amount of interesting stuff on Bob Allen's web page at Oxford:

<http://www.nuff.ox.ac.uk/General/Members/homepage.aspx?nuffid=ALLERC00>

This includes his lectures and many fascinating papers.

For Harvard FAS students the course will be graded on the basis of a research paper which you have to hand in/send to me January 31, 2010. Prior to this you have to write a 5 page paper proposal and make an appointment with me to discuss it. The remaining 10% of the grade is allocated on the basis of class attendance.

For Harvard extension students the evaluation will be focused on comprehension of the lectures and reading materials. This will be tested by four short (5 page) review essays the deadlines for which are embedded in the syllabus below.

**September 2:** Introduction and overview of the course. I discuss some basic facts about long-run economic development over the past few millennia and some of the stylized facts and puzzles that we are interested in explaining.

**Clark, Gregory (2005)** “The Condition of the Working Class in England, 1209-2003,” *Journal of Political Economy*, 113, 1307-1340.

**Koepke, Nicola and Joerg Baten (2005)** “The Biological Standard of Living in Europe during the last two Millennia,” *European Review of Economic History*, 9, 61-95.

**Maddison, Angus (2001)** *The World Economy: A Millennial Perspective*, Paris: OECD.

**Mokyr (1990)** Chapter 1.

**Morris (2008)** Chapter 3.

**September 7 is Labor Day – No Class.**

**September 9:** Success and Failure of Nations: Fundamental Explanations – Institutions. In the course I shall be arguing that it is variation in the institutions of societies which explains their economic success or failure and the dynamics and evolution of institutions largely explains the stylized facts described in Lecture 1. Here I introduce this approach and some basic evidence which supports it.

**Acemoglu and Robinson (2009)** Chapter 1 “The Success and Failure of Nations”, Chapter 2 “The Story”, Chapter 3 “Rich Colony, Poor Colony”

**Acemoglu, Daron, Simon Johnson and James A. Robinson (2001)** “The Colonial Origins of Comparative Development: An Empirical Investigation,” *American Economic Review*, 91, 1369-1401.

**Acemoglu, Daron, Simon Johnson and James A. Robinson (2002)** “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution,” *Quarterly Journal of Economics*, 118, 1231-1294.

**Mokyr (1990)** Chapter 7.

**North and Thomas (1973)** Chapter 1.

**September 14:** Success and Failure of Nations: Fundamental Explanations – Geography. Obvious alternative hypotheses for success and failure are culture and geography. I discuss these and explain why they are not the focus of the course.

**Acemoglu and Robinson (2009)** Chapter 1 “The Success and Failure of Nations”

**Diamond, Jared (1997)** *Guns, Germs and Steel*, New York: W.W. Norton and Co.

**Putterman, Louis and David N. Weil (2008)** “Post-1500 Population Flows and the Long Run Determinants of Economic Growth and Inequality,” NBER Working Paper #14448.

**September 16:** No Lecture.

**September 21:** Success and Failure of Nations: Fundamental Explanations – Culture.

**Acemoglu and Robinson (2009)** Chapter 1 “The Success and Failure of Nations”  
**Tabellini, Guido (2005)** “Culture and Institutions: Economic Development in the Regions of Europe,”  
[http://didattica.unibocconi.it/mypage/upload/48805\\_20090114\\_033257\\_REGIONS\\_JUNE08\\_B.PDF](http://didattica.unibocconi.it/mypage/upload/48805_20090114_033257_REGIONS_JUNE08_B.PDF)  
**Guiso, Luigi, Paola Sapienza and Luigi Zingales (2008)** “Long-Term Persistence,” NBER Working Paper #14278.

**September 23:** The Neolithic Revolution and emergence of states. It has become conventional to trace the roots of economic growth to the Neolithic Revolution – the transition between hunting/gathering and farming. I discuss what we know about this and how to interpret it. What caused this transition?

**Acemoglu and Robinson (2009)** Chapter 4 “Neolithic Institutional Change”  
**Barker, Graeme (2006)** *The Agricultural Revolution in Prehistory: why did foragers become farmers?* New York: Oxford University Press. Chapters 1 and 10.  
**Douglas, Mary (1962)** “Lele Economy compared to the Bushong,” in Paul Bohannan and George Dalton eds. *Markets in Africa*, Evanston: Northwestern University Press.  
**Morris (2008)** Chapter 2.  
**Vansina, Jan (1978)** *The Children of Woot: A History of the Kuba People*, Madison: University of Wisconsin Press. Chapter 10.

Barker (2006) is an excellent overview of the state of knowledge on this topic by a distinguished archaeologist. See also the perspective in Chapter 2 of Morris (2008). Diamond (1997) links the Neolithic Revolution to the modern distribution of income. Douglas (1962) made a brilliant comparison between two African societies in the Congo and Vansina (1978) explained the difference in ways which are related to the ideas of this course.

**September 28:** Stagnation and Success in the Pre-Modern World. Economic historians have long portrayed the economic history of the world prior to the industrial revolution as a long Malthusian stasis. I shall argue, on the contrary, that the most significant pattern is of ‘rise and decline’ whereby institutional and political innovation created economic growth, which was subsequently undermined by institutional or political collapse.

Extension Students: This is the date for the submission of the first review essay.

**Acemoglu and Robinson (2008)** Chapter 5 “The Limits of Early Growth”  
**Morris, Ian (2004)** “Economic Growth in Ancient Greece,” *Journal of Institutional and Theoretical Economics*, 160, 709-742.  
**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.  
**Mokyr (1990)** Chapters 2,3,4 and 8.  
**North and Thomas (1973)** Part Two, Chapters 3-7.

**Webster, David L. (2002)** *The Fall of the Ancient Maya*, New York: Thames and Hudson. Chapters 7 and 10.

**White, Lynn T. (1962)** *Medieval Technology and Social Change*, New York; Oxford University Press. Chapter 1.

Morris (2004) is a seminal overview of the economic history of Ancient Greece. I discuss this example and also the example of the rise and decline of the Mayan city states. Martin, and Grube (2000) provide a beautiful overview of the chronology of the Mayan states and Webster (2002) provides an authoritative discussion of various hypotheses what we know about the dynamics of the Mayan states.

The classic detailed study of a society caught in Malthusian stasis, or what he calls the (p. 4) “immense respiration of a social structure” is: **Le Roy Ladurie, Emmanuel (1974)** *The Peasants of Languedoc*, Urbana; University of Illinois Press.

**September 30:** The Rise of Capitalism, particularly the British path. I shall emphasize that the first nation which made the break from the pre-modern pattern of “rise and fall” was Britain, an event closely associated with the industrial revolution. I focus on what happened and why Britain diverged from historical development paths.

**Acemoglu and Robinson (2009)** Chapter 6 “The Rise of Capitalism” and Chapter 10 What Was Special about England?

**Acemoglu, Daron, Simon Johnson and James A. Robinson (2005)** “Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth,” *American Economic Review*, 95, 546-579.

**Brenner, Robert (1976)** “Agrarian Class Structure and Economic Development in Preindustrial Europe,” *Past and Present*, 70, 30-75.

**Brewer, John (1988)** *The Sinews of Power: War, Money and the English State, 1688-1773*, Cambridge: Harvard University Press. Chapter 1.

**Jha, Saumitra (2008)** “Shareholding, coalition formation and Political Development: Evidence from 17<sup>th</sup> Century England,” Unpublished, Graduate School of Business, Stanford University.

**Mokyr (1990)** Chapter 5.

**North and Thomas (1973)** Chapters 8 and 12.

**Tawney, R.H. (1941)** “The Rise of the Gentry,” *Economic History Review*, 11, 1-38.

The literature on the British industrial revolution is vast. Two important recent works which are both well worth reading but take a different approach from the one I propose are **Allen, Robert C. (2009)** *The British Industrial Revolution in Global Perspective*, and **Mokyr, Joel (2009)** *The Enlightened Economy*, New York: Penguin. An important paper emphasizing the connection between political and economic change in England is **North, Douglass C. and Barry R. Weingast (1989)** “Constitutions and Commitment: Evolution of Institutions Governing Public Choice in 17<sup>th</sup> Century England,” *Journal of Economic History*, 49, 803-832.

**October 5:** The Diffusion of Prosperity #1: Europe. Responses to British industrialization and economic growth varied dramatically. As we saw already, in some parts of the world British and subsequently European economic expansion interacted with initial institutions to create severe underdevelopment. However, societies in different circumstances were able to

take advantage of the new technologies innovated in Britain and in consequence experienced rapid economic growth too. This was true in large parts of Western Europe which had experienced many of the same forces which had shaped British institutions.

**Acemoglu and Robinson (2009)** Chapter 9 “The Diffusion of Prosperity”

**Acemoglu Daron, Davide Cantoni, Simon Johnson and James A. Robinson (2009)** “Consequences of Radical Reform: The French Revolution,” NBER Working Paper #14831.

**Mokyr (1990)** Chapter 10.

**North and Thomas (1973)** Chapters 10 and 11.

**October 7:** Not on Our Turf #1: Sub-Saharan Africa. Why did other parts of the world follow different paths than Britain? I begin with Sub-Saharan Africa. The case of Aksum and Ethiopia is particularly interesting and relatively well documented. My focus here is on why institutional dynamics were different.

**Acemoglu and Robinson (2009)** Chapter 7 “Not on our Turf”.

**Chaves, Isaías N., Stanley L. Engerman and James A. Robinson (2009)** “Re-inventing the Wheel,” work in progress.

**Goody, Jack (1971)** *Technology, Tradition and the State in Africa*, New York; Cambridge University Press. Chapters 1 and 2.

**Hopkins, Anthony G. (1973)** *An Economic History of West Africa*, New York; Addison Wesley Longman. Chapter 2.

For further discussion of some of the distinct technological puzzles in African history see **Austen, Ralph A. and Daniel Headrick (1983)** “The Role of Technology in the African past,” *African Studies Review*, 26, 163-184, and **Law, Robin C. (1980)** “Wheeled Transportation in Pre-Colonial West Africa,” *Africa*, 50, 249-262. An important discussion of how poor Africa really was historically is **Thornton, John (1992)** “Pre-Colonial African Industry and the Atlantic Trade, 1500-1800,” *African Economic History Review*, 19, 1-19.

**October 12 is Columbus Day Holiday – No class.**

**October 14:** Not on Our Turf #2: Southeast Asia.

**Acemoglu and Robinson (2009)** Chapter 7 “Not on Our Turf”

**Read, 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”.

**October 19:** Not on Our Turf #3: Latin America

**Acemoglu and Robinson (2009)** Chapter 7 “Not on Our Turf”

**Bruhn, Miriam and Francisco A. Gallego (2007)** “Good, Bad, and Ugly Colonial Activities: Studying Development across the Americas,” Unpublished.

**Dell, Melissa (2007)** “The Persistent Effects of Peru’s Mining *Mita*,” Unpublished, Department of Economics, MIT, <http://econ-www.mit.edu/grad/mdell/papers>

**Engerman, Stanley L. and Kenneth L. Sokoloff (1997)** “Factor Endowments, Institutions, and Differential Paths of Growth among New World Economies,” in Stephen H. Haber ed. *How Latin America Fell Behind*, Stanford; Stanford University Press.

**October 21: Not on Our Turf #4: China and India**

**Acemoglu and Robinson (2009)** Chapter 7 “Not on Our Turf”

**Allen, Robert C. (2008)** “Agricultural Productivity and Rural Incomes in England and the Yangtze Delta, c. 1620- c. 1820,” forthcoming in the *Economic History Review*.

**Banerjee, Abhijit V. and Lakshmi Iyer (2005)** “History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India,” *American Economic Review*, 95, 1190-1213.

**Iyer, Lakshmi (2004)** “The Long-Term Impact of Colonial Rule: Evidence from India,” [http://www.people.hbs.edu/liyer/iyer\\_colonial\\_oct2004.pdf](http://www.people.hbs.edu/liyer/iyer_colonial_oct2004.pdf).

**Mokyr (1990)** Chapter 9.

**Morris (2008)** Chapters 7 and 8.

**Pomeranz, Kenneth (2002)** “Political Economy and Ecology on the Eve of Industrialization: Europe, China, and the Global Conjunction,” *American Historical Review*, 107(2), 425-46.

**October 26: Underdevelopment #1: Africa.** Out of institutional differences at the time of the economic take-off of Britain very different development paths emerged. One created the countries which we refer to today as underdeveloped. I begin again with Africa.

Extension Students: This is the date for the submission of the second review essay.

FAS and Non-Extension Students: This day is the deadline to hand in a 5 page proposal for a research paper.

**Acemoglu and Robinson (2009)** Chapter 8 “Underdevelopment”

**Lovejoy, Paul E. (1989)** “The Impact of the Atlantic Slave Trade on Africa: A Review of the Literature.” *Journal of African History* 30, 365-394.

**Lundahl, Mats (1982)** “The Rationale for Apartheid,” *American Economic Review*, 72, 1169-1179.

**Nunn, Nathan (2008)** “The Long Term Effects of Africa’s Slave Trades,” *Quarterly Journal of Economics*, 123, 139-176.

This week you have to schedule an appointment with me to discuss your proposal. It is also good to discuss your proposal with Camilo.

**October 28: Why it Continued – Virtuous and Vicious Circles.** What forces allowed the economic growth which began in Britain in the late 18<sup>th</sup> century to be sustained over time? Why as there positive feedback? (In contrast to the negative feedback we have seen in large parts of the rest of the World).

**Acemoglu and Robinson (2009)** Chapter 11 “Why it Continued”

**Acemoglu, Daron and James A. Robinson (2006)** *Economic Origins of Dictatorship and Democracy*, New York: Cambridge University Press. Chapter 9.

**Acemoglu, Daron, Simon Johnson, James A. Robinson and Pierre Yared (2008)** “Income and Democracy,” *American Economic Review*, 98, 808-842.

**Moore, Barrington (1966)** *Social Origins of Dictatorship and Democracy*, Boston: Beacon Press. Chapters 7,8, and 9.

**November 2:** Vicious Circles #1: The US South. In this course I emphasize a lot some very enduring patterns of relative prosperity. Once created, systems of institutions appear to be very inertial. But change can happen, institutions can be reformed and economic development move onto different paths (for instance I emphasized earlier in the course that historical inequalities between states and areas of the World thousands of years ago are not good predictors of modern national inequalities). The changing institutional and economic dynamics of the US South are an interesting example of stasis followed by change.

**Acemoglu and Robinson (2009)** Chapter 12 “History Isn’t Everything”

**Acemoglu, Daron and James A. Robinson (2008)** “Persistence of Power, Elites and Institutions,” *American Economic Review*, 98, 267-93.

**Acemoglu, Daron and James A. Robinson (2008)** “The Persistence and Change of Institutions in the Americas,” *Southern Economic Journal*, 75, 282–99.

**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.

**David, Paul (1985)** “Clio and the Economics of QWERTY,” *American Economic Review*, 75, 332-337.

**Naidu, Suresh (2009)** “Suffrage, Schooling, and Sorting in the Post-Bellum South,” Unpublished, Harvard University.

**Wright, Gavin (1999)** “The Civil Rights Movement as Economic History,” *Journal of Economic History*, 59, 267-289.

Some other important recent work on the US South is by **Rajan, Raghuram G. and Rodney Ramcharan (2008)** “Land and Credit: A Study of the Political Economy of Banking in the United States in the Early 20th Century,” NBER Working Paper #15083. The Diffusion of Prosperity #2: Colonies of Settlement. The institutional dynamics in certain types of colonies were also propitious for the industrial revolution to diffuse.

**November 4:** Vicious Circles #2: Latin America and the Iron Law of Oligarchy

**Acemoglu and Robinson (2009)** Chapter 8 “Underdevelopment”

**Bobonis, Gustavo (2007)** “Endowments, Coercion, and the Historical Containment to Education,” Unpublished, available at

<http://www.chass.utoronto.ca/~bobonis/research.htm>

**Engerman, Stanley L. and Kenneth L. Sokoloff (2005)** “The Evolution of Suffrage Institutions in the New World,” *Journal of Economic History*, 65, 891-921.

**García-Jimeno, Camilo and James A. Robinson (2009)** “The Myth of the Frontier,” NBER Working Paper #14774.



**Haber, Stephen H. (2002)** “Political Institutions and Economic Development: Lessons from the Economic Histories of Mexico and the United States, 1790-1914,”

<http://www.stanford.edu/~haber/papers/Haber,%20Political%20Institutions%20and%20Economic%20Developmen--ver.pdf>

**Kelley, Jonathan and Herbert S. Klein (1981)** *Revolution and the Rebirth of Inequality*, Berkeley; University of California Press. Chapters 3,4,6 and 7.

**November 9:** History Isn't Everything #1: Defensive Modernization

**Acemoglu and Robinson (2009)** Chapter 9 “The Diffusion of Prosperity”

**Allen, Robert C. (2003)** *From Farm to Factory*, Princeton: Princeton University Press. Chapter 1.

**Macpherson, W.J. (1987)** *The Economic Development of Japan, 1868-1941*, New York: Cambridge University Press. Chapters 1-4.

Extension Students: This is the date for the submission of the third review essay.

**November 11: Veterans Day No Class**

**November 16:** History Isn't Everything #2: Chile, China, Botswana. There are also other important examples of changes in development paths. We already discussed examples of this when I talked about defensive modernization.

**Acemoglu and Robinson (2009)** Chapter 12 “History Isn't Everything”

**Acemoglu, Daron, Francisco Gallego and James A. Robinson (2009)** “The Rise of the Chilean Gentry” work in progress.

**Harding, Harry (1987)** *China's second revolution: reform after Mao*, Washington, D.C.: Brookings Institution.

**November 18:** Why Countries Fail Today: 100 Years of Colombian History and some Comparisons Too.

**Acemoglu and Robinson (2009)** Chapter 13 “Why Nations Fail Today”

**Acemoglu, Daron, James A. Robinson and Rafael Santos-Villagran (2009)** “The Monopoly of Violence: Evidence from Colombia,” work in progress.

**Chaves, Isaías N., Leopoldo Fergusson and James A. Robinson (2009)** “He Who Counts Elects: Determinants of Fraud in the 1922 Colombian Presidential Election,” NBER Working Paper #15127.

**Díaz-Alejandro, Carlos F. (1988)** “100 Years of Argentine Economic History plus some Comparisons too,” in Andrés Velasco ed. *Trade, Development and the World Economy: Selected Essays of Carlos Díaz-Alejandro*, New York: Basil Blackwell.

Something on Afghanistan...

**November 23 and 25 Thanksgiving Break No Class**

**November 30:** Why Countries Fail Today: Africa.

Extension Students: This is the date for the submission of the final review essay.

**Acemoglu and Robinson (2009)** Chapter 13 “Why Nations Fail Today”

**Dalton, George H. (1965)** “History, Politics and Economic Development in Liberia,” *Journal of Economic History*, 25, 569-591.

**Killick, Tony (1978)** *Development Economics in Action; A Study of Economic Policies in Ghana*, London; Heinemann. Chapter 2 “Development, Disequilibrium and State Interventionism”, Chapter 3 “The Economic Strategies of Nkrumah and his Successors,” pp. 11-65, and Chapter 9 “The State as Entrepreneur” pp. 214-262.

**Nkurunziza, Janvier and Floribert Ngaruko (2008)** “Explaining Growth in Burundi: 1960-2000,” in by Benno J. Ndulu, Stephen A. O'Connell, Jean-Paul Azam, and Robert H. Bates eds. *The Political Economy of Growth in Africa, 1960-2000: Country Case Studies*, New York: Cambridge University Press.

**Udry, Christopher and Goldstein, Markus (2008)** “The Profits of Power: Land Rights and Agricultural Investment in Ghana,” *Journal of Political Economy*, December.

**December 2:** What did we learn?