

Economics 129: American Economic History

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T-TH: 9:00-10:25 Baxter

Office: Baxter 133.

Rather than teach American Economic History as a list of topics through time, we will look at the record of American economic performance through three lenses: technical change, federalisms and financial development. You can all read a textbook, but you have analytical skills that should make a conversation around topics that are more substantive (both in content and form) more interesting and valuable. The readings assigned are therefore research articles. Should you want more background you can consult two text books (Attack and Passel “*a New Economic View of Economic history*” or Walton and Rokoff, *History of the American Economy*) or the *Cambridge Economic History of the U.S.* both of which are on reserve.

If you have data questions, the Historical Statistics of the U.S. are a wonderful on line resource <http://hsus.cambridge.org/HSUSWeb/HSUSEntryServlet>.

ORGANIZATION

Class: We will discuss the assigned reading (s) during the first half of each class. You are encouraged to seek out connections across the readings (both those assigned for the day and those that we have seen before) and between past and present. In the second half of the section I will lecture on the material to come.

Work expectations

Reading: each class meeting has one or two readings (they are preceded by a*). You must complete at least of these and respond to the relevant queries. This task should require an hour or an hour and half of your time. Your task is to identify A. important issues (What makes this an interesting question), B. Strange issues in either the logic, the evidence, or the method of analysis, C. are there lessons from this for other contexts? Then you must write no more than a page (a paragraph is ideal) that explain what you think about the reading, these notes are due at the end of each class. The principal value of these notes is that they make sure you have something to contribute to the conversation.

Writing and examination: Beyond the class assignments, you are expected to complete two papers of about 2000 words each. Paper 1 first drafts are due in class **January 31**, final drafts **February 9**, 5pm in my box. Paper 2 first drafts are due in class **March 1**, and final drafts **February 15**, 5pm in my box. The tight schedule is designed to give me time to give you feed back between drafts For more details on papers see the end of the syllabus

Presentation: You must also present a paper/book sometime in the quarter (on the reading list preceded by a (p)). You will have 10 minutes so you must turn in a two page outline/summary of your presentation to say. We will decide on a schedule of presentations during Class 3.

READING LIST

Introduction to Growth over the Long Term.

Jan 5 Day 1: Introduction to growth

No reading

Jan 10 Day 2: Markets and Inequality

- * Engerman, Stanley, and Kenneth Sokoloff, 1997. "Factor Endowments: Institutions, and Differential Paths of Growth Among New World Economies: A View from Economic Historians of the United States," in S. Haber ed. *How Latin America Fell Behind: Essays on the Economic Histories of Brazil and Mexico, 1800-1914*.

Section 1: Technological Change

A. Agricultural Productivity and Technology

Jan 12 Day 1: Plants and animals

- * Olmstead, Alan, and Paul Rhode, 2002. "The Red Queen and the Hard Reds: Productivity Growth in American Wheat, 1800-1940" *The Journal of Economic History*, Vol. 62 (4):929-66.
- (p) Alan L. Olmstead. 2009. "The First Line of Defense: Inventing the Infrastructure to Combat Animal Diseases," *The Journal of Economic History*, Vol. 69 (2):327-57.

Jan 17 Day 2: Property

- * Hornbeck, R. 2010. "Barbed Wire: Property Rights and Agricultural Development," *Quarterly Journal of Economics*, 125:2.
- (p) Libecap, Gary and Dean Lueck. 2011. "The Demarcation of Land and the Role of Coordinating Property Institutions," *Journal of Political Economy*, Vol. 119 (3): 426-67.
- (p) Kantor, Shawn. 1991. "Razorbacks, Ticky Cows, and the Closing of the Georgia Open Range: The Dynamics of Institutional Change Uncovered," *Journal of Economic History*, 51(3).

B. Technology as embodied in machines

Jan 19 Day 1: Speed and Power

- * Knick Harley, 1988. "Ocean Freight Rates and Productivity, 1740-1913: The Primacy of Mechanical Invention Reaffirmed," *The Journal of Economic History*, Vol. 48(4):851-76.
- (p) Allen Robert C. 1979. "International Competition in Iron and Steel, 1850-1913," *The Journal of Economic History*, Vol. 39(4): 971-97
- (p) Fishlow, Albert. 1966 Productivity and Technological Change in the Railroad Sector, 1840-1910. In Dorothy S. Brady. Ed. *Output, Employment, and Productivity in the United States after 1800*.

Jan 24 Day 2: Cotton (machines and workers)

* Clark, Gregory, 1987 Why Isn't the Whole World Developed? Lessons from the Cotton Mills” *The Journal of Economic History* 47(1): 141-173.

(p) Sandberg, Lars, 1969. “American Rings and English Mules: The Role of Economic Rationality” *The Quarterly Journal of Economics*, Vol. 83(1):25-43:

(p) Saxonhouse, Gary and Gavin Wright. 2010. “National Leadership and Competing Technological Paradigms: The Globalization of Cotton Spinning, 1878-1933,” *The Journal of Economic History* 70(3): 535-66.

C. Technical change, skills and education

Jan 26 Day 1: Learning by markets

* Sokoloff, Kenneth. 1984 “Was the Transition from the Artisanal Shop to the Non-mechanized Factory Associated with Gains in productivity?” *Explorations in Economic History* Vol. 21(4):351-82.

(p) Ross Thomson, Structures of Change in the Mechanical Age: Technological Innovation in the United States, 1790 to 1865. Johns Hopkins UP 2009.

(P) Lo Shih-Tse and Dhanoos Sutthiphisal, "Crossover Inventions and Knowledge Diffusion of General Purpose Technologies? Evidence from the Electrical Technology. *The Journal of Economic History* 70(3)744-64.

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D. Patents and the market for ideas

Jan 31 Day 1: The Market for Ideas

* Sokoloff, Kenneth L. and B. Zorina Khan, 1990. “The Democratization of Invention During Early Industrialization: Evidence from the United States, 1790-1846” *The Journal of Economic History*, Vol. 50 (2):363-78.

* Lamoreaux, Naomi R., Kenneth L. Sokoloff, and Dhanoos Sutthiphisal, 2008 “The Reorganization of Inventive Activity in the United States in the Early Twentieth Century” in Costa and Lamoreaux eds. *Understanding Long Run Economic Growth* NBER 2011.

FIRST DRAFT OF PAPER #1 due in Class

Section 2: Taxes and Public Goods

Feb 2 Lecture: Union Imperfect

No reading

Feb 7 Taxes

* John Wallis. "American Government Finance in the Long Run: 1790 to 1990," *Journal of Economic Perspectives*, 2000.

(p) Boustan, Leah, Fernando Ferreira, Hernan Winkler and Eric Zolt. 2010. "Income Inequality and Local Government in the United States, 1970-2000," NBER Working Paper 16299.

March 9 Day 2: Education.

* Goldin Claudia, 2001. The Human-Capital Century and American Leadership: Virtues of the Past” *Journal of Economic History*, Vol 61 (2) 263-92.

(P) Moelhing Carolyn and Melissa Thomasson. 2012. “The Political Economy of Saving Mothers and Babies: The Politics of State Participation in the Sheppard-Towner Program” *The Journal of Economic History* 72(1).

FINALDRAFT OF PAPER #1 due 5 PM February 10

Feb 14: Federalism

Paul Rhode and Koleman Strumpf. “Assessing the Importance of Tiebout Sorting: Local Heterogeneity from 1850 to 1990,” *American Economic Review* 93:5:1648-77.

Section 3: Finance and Financial crises

A. Banks, Loans and Knowledge

Feb 16 Lecture: Risk and Return
No reading

Feb 21 Day 1: Bank Regulation

* Naomi R Lamoreaux, 1986. Banks, Kinship, and Economic Development: The New England Case.” *The Journal of Economic History*, Vol. 46(3):647-67

(p) Sylla, Richard, 1969. Federal Policy, Banking Market Structure, and Capital Mobilization in the United States, 1863-1913. *The Journal of Economic History*, Vol. 29 (4): 657-86.

(p) Carlson Mark , Kris Mitchener and Gary Richardson “Arresting Banking Panics: Federal Reserve Liquidity Provision and the Forgotten Panic of 1929.” Forthcoming in the *Journal of Political Economy* 2012

B. Financing Growth and Crises

Feb 23: Mortgages and Crises

* Kenneth Snowden. 1995. "The Evolution of Interregional Mortgage Lending, 1870-1940: The Life Insurance-Mortgage Company Connection. In Lamoreaux and Temin eds. *Coordination and Information: Historical Perspectives on the Organization of Enterprise*, Univ. of Chicago, 1995, 209-47.

(p) Rajan Raghuram and Rodney Ramcharan 2010. The Anatomy of a Credit Crisis: The Boom and Bust in Farm Land Prices in the United States in the 1920s. Mimeo U Chicago.

(p) Bogue Alan, Money at Interest.

Feb 28 Watching over the Capitalists

* Lamoreaux, Naomi and Jean-Laurent Rosenthal, "Corporate Governance and the Plight of Minority Shareholders in the United States before the Great Depression." In E. Glazer and C. Goldin eds. *Corruption and Reform: Lessons from America's History*. University of Chicago Press. 2006, 125-152.

(p) J Bradford DeLong, 1995. "Did J-P Morgan add Value?" . In Lamoreaux and Temin eds. *Coordination and Information: Historical Perspectives on the Organization of Enterprise*, Univ. of Chicago,, 209-47.

C. From Investment banks to firm finance

March 1: Firms, law and markets

(*) Hilt, Eric, 2008, When did Ownership Separate from Control? Corporate Governance in the Early Nineteenth Century. *Journal of Economic History* Vol. 68(3): 645-85.

(p) Musacchio, Aldo, 2008. Can Civil Law Countries Get Good Institutions? Lessons from the History of Credit and Bond Markets in Brazil" *The Journal of Economic History* , Vol. 68(1): 80-108.

FIRST DRAFT OF PAPER #2 due in class

March 5 Day 3: Capital markets

(*) Rajan, Raghuram and Luigi Zingales. 2003. "The Great Reversals: The Politics of Financial Development in the 20th Century" *Journal of Financial Economics*, Vol. 69(1), 5-50.

(p) Haber, Stephen. 1991. Industrial Concentration and the Capital Markets: A Comparative Study of Brazil, Mexico, and the United States, 1830-1930." *The Journal of Economic History*, Vol. 51(3):559-580.

Section 3: The American Economy at 400:

March 9 Day 2: Life and power

* Piketty, Thomas and Emmanuel Saez. "Income Inequality in the United States, 1913-1998" *Quarterly Journal of Economics*, 118(1), 2003, 1-39

(P) Wojciech Kopczuk and Emmanuel Saez, "Top Wealth Shares in the United States, 1916-2000: Evidence from Estate Tax Returns."

(p) Frydman, Carola and Raven Saks, 2008. "Executive Compensation: A New View from a Long-Run Perspective, 1936-2005" mimeo

FIRST DRAFT OF PAPER #2 due March 15 5pm

Writing guide, see next page

A Guide to Writing Papers

Purpose: These papers aim to give you an opportunity to integrate the material we have seen without having to do an excessive amount of research. What matters is that you think through the material, not how many facts you can compile. You are of course welcome to do some research or further reading. They are also an opportunity for you to practice/sharpen your writing and presentation skills. To that end your first drafts will be read and feedback will be provided, *but not graded*. We all have the right to error, and we learn by fixing mistakes, not by getting things right the first time. Hence after feedback you will revise your paper and return it to me for grading and further comments.

Sources: Wikipedia, however is not a source, while it is useful as a quick reference, it is not evidence for this class. If you have data questions, the Historical Statistics of the U.S. are a wonderful on line resource <http://hsus.cambridge.org/HSUSWeb/HSUSEntryServlet>. Citations are essential, plagiarism (failure to cite, or extensive borrowing from other authors) is unacceptable. Keep citations brief (3 lines or less).

Structure: When you turn in a paper, it must have (1) a title, (2) a short summary which contains both the question you are answering and the summary of the answer, (3) an outline (4) the body of the paper, (5) a set of references (you can use in text author, date page, citation). It has been found over the years, that being able to concisely state the question and the answer is a necessary step to writing a good paper. Outline help you think through where different ideas go.

Length: The body of the first paper should not exceed 1700 words (5 pages double space 12 pt times new roman, standard margins). The body of the second paper should not exceed 2300 words (7 pages, same format). Shorter papers that are tightly argued and confront the material we have seen are acceptable. First drafts that are 20% shorter than the final paper are a good way to start.

Collaboration: papers must be sole authored. You are free and encouraged to discuss ideas with your peers but before you put pen to paper or fingers to key board you must return to your ideas and your arguments.

Paper topics: You can design your own paper topics, if so you should turn in a topic paragraph to me no later than January 24 for the first paper and February 21 for the second paper. Alternatively you can pick from one of the topics below.

Topics, see next page

Topics for Paper 1:

- 1.A: For some scholars the key to growth is well defined and well enforced property rights. For others it is the broad diffusion of knowledge, to what extent is the material in this course consistent with the idea that there are important tradeoffs between these two views. Can either explain America economic performance?
- 1.B: Olmstead and Rhode draw a fundamental difference between biological and mechanical technologies. To what extent are do differences involves who can invent versus who can profit from different forms of technologies versus how these different technologies become obsolete.
- 1.C: How much of the evidence so far is consistent with the induced innovation hypothesis and how much favors a more broad based process of growth? Did the relative importance of factor prices change over time, or is just that the structure of the economy has changed?

Topics for Paper 2: