

ECON-271: Foundations of Market Economies

Time of Class: MW: 2:00 PM-3:30 PM.

Room: MCNB 286-7.

Main Instructor: Professor Jesús Fernández-Villaverde.

Secondary Instructor: Dr. Fernando Arteaga.

TA: Alejandro Sánchez Becerra.

1. Course Outline and Overview

This course will study the historical and intellectual forces behind the appearance of market economies on the world stage. The voyages of exploration undertaken by Europeans in the 15th and 16th century created, in just a few decades, a global economy. By 1600, silver from Mexico was exchanged in Manila for ceramics made in Nanjing (China). After a long trip through the Pacific, Mexico, and the Atlantic, the ceramics ended up in the tables of prosperous merchants in Bruges (modern-day Belgium). How did this integrated global economy appear? How did global interconnections over the centuries shape our current world? How did markets emerge and influence these interconnections? Who were the winners of globalization? And who were the losers?

Even if the economic theory will structure much of the discussion, insights from intellectual history, cultural history, microhistory, legal history, and institutional history will help to frame the main narrative.

The course will be, as well, global. First, beyond the traditional focus of economic history courses in Europe and the Americas, particular attention will be devoted to Africa and Asia. Second, the priority will be to highlight the interconnections between the different regions and to understand how the people living in them negotiated the opportunities and tensions created by the economic transformations triggered by globalization and how they conceptualized the changing lives around them.

2. Instructors

A few words about us. Jesús Fernández-Villaverde is originally from Spain. He received a B.Sc. in Economics and a JD/MBA from ICADE in Madrid, Spain. He got his Ph.D. in Economics from the University of Minnesota. His research focuses on macroeconomics, econometrics, economic history, and law and economics.

Fernando is originally from Mexico. He received a B.Sc. in Economics from UNAM in Mexico City, Mexico. He got his Ph.D. in Economics from the George Mason University. His research focuses on economic history, the economics of institutions, and development economics.

We want to be available for your questions as much as possible. You can always ask questions in or after class. Also, we will hold office hours. The best way to reach us is via email at jesusfv@econ.upenn.edu and arteaga@sas.upenn.edu. We usually answer questions via email within half a day. Besides, our T.A., Alejandro Sánchez Becerra, alesan@sas.upenn.edu, will also hold office hours every week. Details will be announced via Canvas.

3. Textbookw

Please purchase:

1. *Global Economic History: A Very Short Introduction*, by Robert Allen, Oxford University Press.
2. *The Industrial Revolution: A Very Short Introduction*, by Robert Allen, Oxford University Press.

We will use these two books for several readings (I will refer to them as “AllenGEH” and “AllenIR,” respectively). The books are very cheap (around \$6.50 each on the electronic version) and easy to find on Amazon or other bookstores.

We will also use several chapters from a book on global economic history I am currently writing. I will post pdfs of these chapters online. I will refer to them as “JFV.” Other papers will also be available at Canvas.

Please do note that no material from this class cannot be shared with those outside of the class and CANNOT be posted online.

4. Course Requirements and Grades

The evaluation of this class will be based on two items: two midterms and class participation.

4.1. Exam

There will be two closed-book midterms. The first midterm will be on October 16 and the second midterm will be on December 9.

Each midterm will consist of three essay type questions, each worth 20 points, and four short questions, each worth 10 points, for a total of 100 points. As we get closer to the exam, we will present some examples of each type of questions.

If you have a problem with the dates of the midterms, please let me know *before* September 30. After September 30, we will NOT accommodate your requests. Note that travel, job interviews, or non-emergency family matters are NOT acceptable reasons to re-arrange the exam.

4.2. Class Participation

During each lecture, we will ask for one or several volunteers (depending on the length of the reading). The volunteers should summarize the readings (or part of, depending on the day) for the day in 5 minutes and offer critical remarks. If there are several volunteers, we will randomize among them (with a preference toward those who have not participated yet). After that summary, we will start a short discussion, where you should show that you read and understood the material.

5. Grading Standards

Students taking the course for a letter grade will receive grades from A through D or an F. Students that take the class on a Pass/Fail basis need at least a D+ to pass the class. Poor performance is not a valid reason for an incomplete (I). An incomplete is given only under exceptional circumstances and requires the satisfactory completion of a substantial part of the course. Any incomplete must be arranged **before** December 1.

The grade will be equal, in case you participated in class:

$$\text{Points} = 0.5 * \text{best midterm} + 0.25 * \text{worst midterm} + 0.25 * \text{class participation}$$

If you did not,

$$\text{Points} = 0.5 * \text{best midterm} + 0.5 * \text{worst midterm}$$

Note that the grading system is designed to help those who participate in class: their worst midterm will only weight of 25% of the final grade (and we will be more generous grading class participation than grading the midterms). Furthermore, the exam will cover the material in the readings. You will need to go over the readings in any case. Therefore, participating in the class is your best response.

The mapping of points into letter grades is given by:

Points Achieved	Letter Grade	Points Achieved	Letter Grade
96 - 100	A +	72 - 75.75	C +
92 - 95.75	A	68 - 71.75	C
88 - 91.75	A -	64 - 67.75	C -
84 - 87.75	B +	60 - 63.75	D +
80 - 83.75	B	56 - 59.75	D
76 - 79.75	B -	less than 56	NP

6. Contents of the Course

In the next pages, we present an outline on the topics that we intend to cover and the dates when we intend to do so. We may re-arrange some material once we see how the class develops.

Part I: The Dawn of Economic Growth

- **Lecture 1**, August 28: Administrative details. Introduction (JFV).
- **Lecture 2**, September 4: Population and economic growth I (JFV).
Reading: AllenGEH, Chapters 1 (*The great divergence*) and 2 (*The rise of the West*).
- **Lecture 3**, September 9: Population and economic growth II (JFV).
Reading: JFV, *The treasure fleet*.
- **Lecture 4**, September 11: Geography, climate, and environment I (JFV).
Reading: JFV, *Limitations to sovereign power in Western Europe*.
- **Lecture 5**, September 16: Geography, climate, and environment II (JFV).
Reading: JFV, *Technological innovation and adoption in the middle ages*.
- **Lecture 6**, September 18: Geography, climate, and environment III (FA).
Reading: JFV, *Big trips*.
- **Lecture 7**, September 23: Sea empires (FA).
Reading: JFV, *Sea empires*.
- **Lecture 8**, September 25: Europe gets ahead: an industrial revolution? I (FA).
Reading: AllenIR, Chapters 1 (*Then and now*), 2 (*The Pre-Industrial Revolution, 1500-1700*) and 3 (*Why the Industrial Revolution was British*).
- **Lecture 9**, September 30: Europe gets ahead: an industrial revolution? II (FA).
Reading: AllenIR, Chapters 4 (*The condition of England*), 5 (*Reform and democracy*) and 6 (*The spread of the Industrial Revolution abroad*).
- **Lecture 10**, October 2: Cradle of Modernity: the World Economy from 1870 to 1914 (JFV).
Reading: JFV, *Land Empires*.
- **Lecture 11**, October 7: Catching Up, Falling Behind I (JFV).
Reading: AllenGEH, Chapters 8 (*The standard model and late industrialization*) and 9 (*Big Push industrialization*).
- **Lecture 12**, October 9: Catching Up, Falling Behind II (JFV).
Reading: Bishnupriya Gupta (2019), “Falling behind and catching up: India’s transition from a colonial economy.” *Economic History Review* 72, 803-827.
- **Lecture 13**, October 14: Review for midterm (FA).
Reading: Şevket Pamuk and Jeffrey G. Williamson (2019), “Ottoman de-industrialization, 1800-1913: assessing the magnitude, impact, and response.” *Economic History Review* 64, 159-184.

Part II: Death and Resurrection of the World Economy

- **Lecture 14**, October 21: The Strange death of liberal Europe I (FA).
Reading: JFV, Energy I.
- **Lecture 15**, October 23: The Strange death of liberal Europe II (FA).
Reading: JFV, Energy II.
- **Lecture 16**, October 28: Socialist economies I (JFV).
Reading: F.A. Hayek (1945), “The use of knowledge in society.” *American Economic Review* 35, 519-530.
- **Lecture 17**, October 30: Socialist economies II (JFV).
Reading: Natalya Naumenko (2018), “The Political Economy of Famine: the Ukrainian Famine of 1933”.
- **Lecture 18**, November 4: Les Trente Glorieuses (JFV).
Reading: Barry Eichengreen (2008), *The European Economy Since 1945*, Chapters 1 (*Introduction*) and 2 (*Mainsprings of Growth*). Princeton University Press.
- **Lecture 19**, November 6: The recent experience of North America and Western Europe (JFV).
Reading: Tamás Vonyó (2017), “War and socialism: why eastern Europe fell behind between 1950 and 1989.” *Economic History Review*, 70, 248-274.
- **Lecture 20**, November 11: The Latin American Experience (FA).
Reading: AllenGEH, Chapter 6 (*The Americas*).
- **Lecture 21**, November 13: Guest lecturer, Felipe Valencia.
- **Lecture 22**, November 18: Africa (FA).
Reading: AllenGEH, Chapter 7 (*Africa*).
- **Lecture 23**, November 20: Guest lecturer, David Cuberes.
- **Lecture 24**, November 25: The East is Red I (JFV).
Reading: James A. Robinson (2009), “Industrial Policy and Development: A Political Economy Perspective.”
- **Lecture 25**, December 2: The East is Red II (JFV).
Reading: Xiaodong Zhu (2012), “Understanding China’s growth: Past, present, and future.” *Journal of Economic Perspectives* 26, 103-124.
- **Lecture 26**, December 4: Review for midterm (FA).
Reading: Noel D. Johnson and Mark Koyama (2017), “States and economic growth: Capacity and constraints.” *Explorations in Economic History* 64, 1-20.