

**SCHOOL OF ECONOMICS AND FINANCE
SCHOOL OF MARKETING & INTERNATIONAL BUSINESS**

**ECON 205 and IBUS 202
THE DEVELOPMENT OF THE MODERN INTERNATIONAL ECONOMY**

Trimester 2 (2007)

COURSE OUTLINE

Contact Details

Course coordinator & lecturer: Dr John Singleton (RH 424, Ext 5131)
John.Singleton@vuw.ac.nz
Consultation times: Monday 1340-1430
Thursday 1540-1630

Lecturer: Dr Lyndon Moore (RH 422, Ext 6963)
Lyndon.Moore@vuw.ac.nz
Consultation times: Tuesday 1300-1500

Class Times and Room Number

Lectures	Monday	1740-1830 (RH LT1)
	Tuesday	1740-1830 (RH LT1)
	Thursday	1740-1830 (RH LT1)

Tutorials Tutorials start in week commencing 16 July.

Sign up for one tutorial stream electronically (see Blackboard for instructions).

Go to the tutorial to which you have been assigned. You are not at liberty to attend other tutorial streams.

There is no minimum attendance requirement at tutorials, but those whose attendance is poor will miss important material and may put themselves at a serious disadvantage in the essays and the exam.

Final exam During the period 15 Oct to 11 Nov.

Course Objectives

For International Business students, this course provides an opportunity to obtain understanding of the changing contexts in which international business has been done. For Economics students, economic history provides an opportunity to develop the capacity to apply the tools and approach of economic theory to empirical problems, to gather relevant information of various kinds, and to formulate reasoned judgements.

Students passing this course should be able to:

1. Demonstrate knowledge of the broad trends in the international economy since about 1850
2. Demonstrate ability to acquire information relevant to questions about the broad trends in the international economy since about 1850
3. Demonstrate ability to formulate questions about the broad trends in the international economy since about 1850, using the concepts and techniques of economic theory
4. Demonstrate ability to present oral and written arguments leading to informed and balanced judgements in response to questions about the broad trends in the international economy which are found in the existing literature or formulated independently.

Course Content

The course provides an outline of international economic history from about 1850 to the present day. It deals with the history of the international monetary system, international trade, and international capital flows. Attention is also given to international migration, the politics of international economic relations, and the record of modern economic growth.

Expected workload

Total workload = 220 hours, including lectures and tutorials.

Readings

Textbooks:

A. G. Kenwood & A. L. Lougheed (1999), *The Growth of the International Economy 1820-1990: An Introductory Text*. 4th Edn, London, Routledge.

J. Foreman-Peck (1995), *A History of the World Economy since 1850: International Economic Relations since 1850*. 2nd Edn, London, Harvester Wheatsheaf.

Although you are not compelled to buy a textbook, it is in your interests to have ready access to one, and those who do make a purchase are likely to find themselves at an advantage. Kenwood and Lougheed is a basic introduction. Foreman-Peck is more suitable for students who have a reasonable grasp of economic principles. Copies of both

books have been ordered for purchase at the Victoria Book Centre. There is a second hand market.

A block of photocopied “ECON 205 / IBUS 202 Readings” will also be available from Student Notes Distribution to accompany the tutorial programme. You *must* get a copy of the “Readings” (last year’s “Readings” are inadequate since some of the material has changed).

An excellent website for topics in economic history is www.eh.net

Materials and Equipment

No additional material required. There will be no calculations in the examination.

Assessment Requirements

There are two essays and a final two-hour final exam.

Your grade will be decided by whichever of the following gives the higher overall mark:

Final exam (100%) OR

Final exam (50%) and course-work (first essay 25% and second essay 25%)

Coursework essays should be in the range of 2000 to 2250 words.

Put completed essays in the assignment box (No 29 “John Singleton”) on the Mezzanine floor (Parliament side) of Rutherford House

Deadlines:	Essay 1	Thursday 16 th August at 1740 pm
	Essay 2	Thursday 4th October at 1740 pm

Essays will not be accepted unless a valid Turnitin report is attached (see below)

There is no detailed marking schedule for individual sections of the essay. This is because it is important for the essay as a whole to make sense. We are looking for a reasoned argument, supported by relevant evidence, and not just a list of keywords.

Any student wishing to appeal against a mark received for an essay should go to see Dr Singleton or Dr Moore, and not their tutor. When an essay is reconsidered the new mark could be either less, the same, or more than the original one.

The final exam will consist of essay questions.

Penalties (essays)

When submitting essays you must put all of the following information on the front page:

- Your full name as it appears on your ID card
- Your ID number.
- The name of your tutor, and day and time of your tutorial.

Five marks will be deducted if this information is not shown.

Penalties for lateness (essay 1)

- Late essays placed in the box before 1740 on Monday 20th August will incur a penalty of five marks (for example, 65% - 5% = 60%).
- Late essays placed in the box before 1540 on Monday 3rd September will incur a penalty of 12 marks
- No essays will be accepted after 1740 on Monday 3rd September

Penalties for lateness (essay 2)

- Late essays placed in the box before 1740 on Monday 8th October will incur a penalty of five marks.
- Late essays placed in the box before 1740 on Monday 15th October will incur a penalty of 12 marks
- No essays will be accepted after 1740 on Monday 15th October

Mandatory Course Requirements

In addition to obtaining an overall course mark of 50% or more, students must

1. Submit two essays within the timeframe specified above,
2. Obtain a mark of 50% or more for at least one of these essays.

Students who do not fulfil the mandatory course requirements automatically fail the course regardless of whether they choose to sit the final exam.

Communication of Additional Information: Through Blackboard

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).

- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

Notice of Turnitin Use

Student work provided for assessment in this course will be checked for academic integrity by the electronic search engine <<http://www.turnitin.com>>. Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting misreferencing, misquotation, and the inclusion of unattributed material, which may be forms of cheating or plagiarism. At the discretion of the Head of School, handwritten work may be copy typed by the School and subject to checking by Turnitin. You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

Students must screen their essays through Turnitin before submission and staple the Turnitin report to the back. Details of the procedures to be used in relation to Turnitin will be put on Blackboard.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to www.vuw.ac.nz/policy.

For information on the following topics, go to the Faculty's website www.vuw.ac.nz/fca under Important Information for Students:

- Academic Grievances
- Academic Integrity and Plagiarism
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

Manaaki Pihipihinga Programme

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email manaaki-pihipihinga-programme@vuw.ac.nz or phone (04) 463 5233 ext. 8977. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.

Essay Topics (2000 to 2250 words)

Essay 1: Choose any country in the world. Imagine that you are an economic advisor travelling back in time to approximately 1900 (anytime between 1870 and 1914 will do.)

- (i) Provide a survey of the main features of the economy. You might like to include some statistics and/or tables. (50 points)
- (ii) Identify the main economic problems facing the country (25 marks)
- (iii) What solutions to these problems do you recommend? (25 marks)

Essay 2: Write an essay on one (1) of the following topics:

EITHER a) Describe the evolution of one or more financial markets over the 20th century. You may like to describe stock markets, government debt markets, foreign exchange markets, derivative markets, or others of your choosing. You could choose a particular geographic area (e.g. foreign exchange markets in the Asia-Pacific region) or describe the development of a particular market worldwide (e.g. the growth of stock markets in the 20th century).

OR b) Describe the link between financial markets and economic growth. You may like to think about the following issues: do financial markets cause economic growth or vice versa, what are the economic problems that financial markets alleviate, and what problems can integrated financial markets cause?

Essays are the major means by which students demonstrate their achievement of the course objectives. Allow plenty of time for all the components of the course objectives - understanding the framework of the question, gathering information of all kinds, working out your own response to the question, and presenting it in a persuasive way. It is virtually impossible to write a coherent and persuasive argument while you are still reading and summarising material from books and articles. Students are expected to use their own initiative in compiling their reading lists. Appropriate references from the subject guide should act as your starting point. You are expected to be able to follow up references mentioned in the books and articles you read. Remember that demand for books and articles increases the nearer you get to the essay deadline. Tutors may comment on brief essay plans (but not full drafts) if submitted at least two weeks before the relevant essay deadline, but nothing said at this stage should be taken as indicative of the final mark.

Essay extensions

Students will not be granted an essay extension in the absence of **relevant** written evidence from a medical practitioner or counsellor. This must show that you are unfit to study in the days leading up to the essay deadline. Requests for an extension should be sent by e-mail to Dr Singleton, not your tutor. If granted they will be conditional on the stapling of your medical note (see above) to the essay when submitted. Do not ask for an extension on the grounds that you are working on essays for other courses.

Referencing.

Referencing books and articles that you have used in your work is essential. In the School of Economics and Finance, we are not too concerned about which method is used. It is essential, however, that you make it absolutely clear when you are quoting from someone else's work. It is also essential that you make it clear when summarising someone else's work.

The default referencing system for Commerce is the APA (American Psychological Association) referencing style.

For example

Understanding the consequences of costly information is crucial for understanding the workings of a modern economy. For example, "when a consumer buys a used car it may be very difficult for him to determine whether or not it is a good car or a lemon" (Varian, 1990, pp. 582-583). In such a situation, "government intervention may increase the welfare of all parties. Or private institutions may arise to take advantage of the potential increases in welfare which can accrue to all parties." (Akerlof, 1970, p. 488).

There must be a bibliography at the end of your assignment or essay, giving the titles etc of any work that you referred to, in alphabetical order by author's name.

References to a book should take the form:

Author's last name, initials, date of publication, title (and edition, if needed), place of publication, publisher.

Varian, H. R. (1990). *Intermediate Microeconomics* (second edition). New York: W. W. Norton & Company.

References to an article should take the form:

Author's last name, initials, year of publication, article title, journal title, volume (issue number, if available), page numbers.

Akerlof, G. (1970). The market for lemons: Quality uncertainty and the market mechanism, *The Quarterly Journal of Economics*, 84, 488-500.

The most important features of any referencing system are:

- (1) The initial reference points to a unique item in your bibliography (and the relevant page number of the work).
- (2) Each item in the bibliography clearly specifies a particular object.

LECTURE PROGRAMME (provisional)

For relevant textbook chapters: Kenwood & Lougheed (KL) and Foreman-Peck (FP)

Week 1:	Introduction	KL 1	FP 1
	World Economy in mid 19 th century	KL 1	FP 1, 2
	Investment flows	KL 2	FP 4, 7
Week 2:	Migration	KL 3	FP 4, 8
	Trade and commercial policy	KL 4, 5	FP 3, 6
	Origins of the Gold Standard	KL 6, 7	FP 5, 9
Week 3:	The Gold Standard in practice	KL 6, 7	FP 5, 9
	US industrialization and mass production		
	Multinationals		
Week 4:	Japanese industrialization		
	New Zealand in the 19 th century	KL 8, 9	FP 6
	World War One		
Week 5:	The world in the 1920s	KL 11, 12, 14	FP 10
	The Great Depression	KL 13, 15	FP 11
	Recovery in the 1930s	KL 13, 15	FP 11
Week 6:	Interwar Unemployment		
	New Zealand in the depression	KL 13, 15	FP 11
	Origins of Central Banking		
Week 7:	Financial Development in the 20 th Century		
Week 8:	World War Two		FP 12
	Post-war reconstruction	KL 16	FP 12
	Overview of world economy since 1950	KL 17	
Week 9:	Bretton Woods exchange rate system	KL 18	FP 14
	World trade since 1950	KL 19, 20	FP 13
	European economic cooperation		
Week 10:	Centrally planned economies		
	Developing Economies		
Week 11:	Asian economic miracle	KL 21	FP 15
	Japan since 1945		
	China since 1945		
Week 12:	India since 1945		
	Asian financial crisis of the 1990s		
	Conclusion and revision		

TUTORIAL PROGRAMME:

Week starting 16 July

Tutorial 1 WORLD ECONOMY IN THE 19TH CENTURY

Reading: A.G. Kenwood and A.L. Lougheed, *The Causes of the Growth of the International Economy in the Nineteenth Century*, ch. 1

Questions for discussion:

1. In what ways did the industrial revolution / industrialization create new opportunities for trade?
2. Why did the cost of transporting goods over long distances fall?
3. What was the contribution of capital accumulation to the development of the world economy?
4. On balance, did the growth of world population help or hinder the evolution of the international economy?
5. What were the implications for international trade of rising living standards, especially in Europe and its settler offshoots?
6. Why did some countries not share to the same extent as others in the expansion of prosperity?

Week starting 23 July

Tutorial 2 MIGRATION FROM EUROPE

Reading: Dudley Baines, 'European Migration, 1815-1930: Looking at the Emigration Decision Again'

Questions for discussion:

1. Outline the main theories used to explain migration
2. Why might it be difficult to distinguish between push and pull factors?
3. Why wasn't the level of migration from Europe even higher?
4. Why did some migrants return to their homelands?
5. To what extent was migration an alternative to moving to a big city within the migrant's country of origin?
6. How could migration have helped to reduce income differentials between Europe and the settler economies e.g. US, Canada, Australia, NZ, South Africa, and Argentina?

Week starting 30 July

Tutorial 3 THE GOLD STANDARD

Reading: Barry Eichengreen, *Globalizing Capital*, ch. 2

Questions for discussion:

For the purposes of the tutorial, you may omit the sections on 'The dilemmas of bimetallism' and 'The lure of bimetallism', 'The Gold Standard and the lender of last resort', and 'Instability at the periphery'.

- What was the Gold Standard?
- Why were countries attracted to join the Gold Standard? (Section on 'Advent of Gold Standard')
- Explain the price specie flow mechanism (Section on 'How the Gold Standard Worked')

- How did the Cunliffe Committee think that the Gold Standard worked? (Section on ‘How the Gold Standard Worked’)
- Why were central banks often reluctant to follow the so-called ‘rules of the game’? (Section on ‘How the Gold Standard Worked’)
- How, according to Eichengreen, did the Gold Standard actually work? (Section on ‘The Gold Standard as a Historically Specific Institution’)
- Why was it in the interests of member countries to cooperate in the management of the Gold Standard? (Section on ‘International Solidarity’)

Week starting 6 August

Tutorial 4 CHANDLER AND MANAGERIAL ENTERPRISE

Reading: Alfred D. Chandler, ‘Managerial enterprise and competitive capabilities’, *Business History*, Vol. 34, No. 1 (1992), pp. 11-41.

Questions for discussion:

- 1) What does Chandler mean by managerial enterprise?
- 2) What were the characteristics of the industries in which managerial enterprises emerged in the late 19th century?
- 3) Explain how Germany came to dominate the chemicals industry, and the United States the engineering, automobile and computer industries?
- 4) Why did American firms switch to a policy of diversification in the 1960s?
- 5) What were the implications of diversification and the dominance of institutional investors for the performance of American firms?
- 6) What lessons does Chandler draw from his study, and are they convincing?

Week starting 13 August

Tutorial 5 THE DEPRESSION

Reading: Randall E. Parker, *Reflections on the Great Depression*

Questions for discussion:

1. What was the significance for US monetary policy of the 1920-21 recession?
2. What caused the onset of depression in the USA in the late 1920s?
3. Why did the depression deepen in the early 1930s?
4. What were the flaws in the Gold Standard during the 1920s?
5. To what degree did the US economy recover in the mid- to late-1930s?
6. Discuss the differences between contemporary economists’ explanations of the depression and those of economists and economic historians today?

Week starting 3 September: NO TUTORIAL

Week starting 10 September

Tutorial 6 ECONOMIC COOPERATION IN THE COMMONWEALTH

Reading: Paul L. Robertson and John Singleton, ‘The Commonwealth as an Economic Network’

Questions for discussion:

1. What are the characteristics of network organizations?
2. In what respects was the British Empire / Commonwealth a network organization?

3. What was the role of trust in the successful operation of the Commonwealth as an economic network or community?
4. Why did the Commonwealth network ultimately decline?
5. Can the principles discussed in this reading be applied to the analysis of other international economic communities?

Week starting 17 September

Tutorial 7 AGRICULTURAL TRADE AFTER WW2

Reading: Chris Nixon and John Yeabsley, *New Zealand's trade policy odyssey*.

Questions for discussion:

1. Explain trade discrimination and the most favoured nation principle.
2. How effective is the risk of embarrassment as a constraint on a nation's trade policy?
3. What was the rationale for the creation of GATT, and what are its principles?
4. Why was GATT slow to liberalise trade in agricultural products?
5. Why was New Zealand ambivalent about GATT for many years, and was this ambivalence justified?
6. How can a tiny country like New Zealand influence international trade negotiations?
7. How successful is the Cairns Group?

Week starting 24 September

Tutorial 8 SCOTCH WHISKY INDUSTRY

Reading: S.R.H. Jones, 'Brand Building and Structural Change in the Scotch Whisky Market'

Questions for discussion:

1. What are the main determinants of world demand for whisky?
2. Discuss the structure and marketing strategy of the Scotch whisky industry in the 1960s and 1970s.
3. What were the weaknesses of the traditional approach to whisky marketing?
4. Describe the main structural changes in the whisky industry in the 1980s and 1990s.
5. Assess the new marketing strategies of the whisky industry in the late twentieth century.
6. What are the future prospects for this industry? Bear in mind any relevant factors such as alternative beverages, social customs, the ability of management, etc.

Week starting 1 October

Tutorial 9 THE ASIAN ECONOMIC MIRACLE

Reading: Anne Booth (1999), 'Initial conditions and miraculous growth: why is South East Asia different from Taiwan and South Korea',

- What are the four main groups of countries in Booth's study?
- Outline and discuss the 'North East Asian Model'
- According to Booth, what characteristics are shared by the North East Asian and South East Asian economies?
- In what ways do they differ, and – once more, according to Booth – how do these differences account for the relatively weak economic performance of the South East Asian countries?
- Are Booth's arguments about the sources of (and constraints on) rapid economic growth convincing?

Week starting 8 October:
Tutorial 10: REVISION TUTORIAL

BIBLIOGRAPHY & RESEARCH MATERIALS

Read widely in preparation for your essays. The textbooks are insufficient on their own. You are expected to know how to use the University library (and encouraged to use other libraries).

The internet contains a lot of rubbish, but there are some useful sites:

www.eh.net

- For book reviews and other useful information, including links to other economic history sites
- For an on-line economic history encyclopedia

www.imf.org and www.worldbank.org

The VUW library has some good on-line resources that are available for use by all students:

i) Databases: “Econlit” and “Historical abstracts”

ii) “JSTOR”. This is a collection of over 40 economics and business journals, some going back to the 1890s. It can be accessed through the “Journal finder” function, selecting journals such as *Economic History Review*, *Journal of Economic History*, *Economic Journal* or *American Economic Review*. JSTOR has a good search function, and is a much better source than the internet for what was happening 100 years ago.

iii) The library also has electronic subscriptions to other useful journals that are not in JSTOR, including *Business History* and *Business History Review*

Historical Statistics

Maddison, A. (1995), *Monitoring the World Economy 1820-1992*. Official Publications –
Level 1 HC54 M744 M

Mitchell, B.R. (1998), *International Historical Statistics : The Americas, 1750-1993*.
Reference Room - Level 2 HA175 M681 I 4ed

Mitchell, B.R. (1998), *International Historical Statistics : Europe, 1750-1993*. Reference
Room - Level 2 HA1107 M681 I 4ed

Mitchell, B.R. (1998), *International Historical Statistics : Africa, Asia & Oceania, 1750-1993*.
Reference Room - Level 2 HA1107 HA1956 M681 I 3ed

General

- Abramovitz, M. (1986), 'Catching up, forging ahead, and falling behind', *Journal of Economic History*, Vol. 46, No. 2, pp. 385-406.
- Amsden, A.H. (2001), *The rise of "the rest" : challenges to the west from late-industrializing economies*. HC59.7 A528 R
- Ashworth, W.A. (1987), *A Short History of the International Economy since 1850*, 4th Edn.
- Bairoch, P. (1993), *Economics and world history: myths and paradoxes*. HC51 B163 E
- Bordo, M.D., Taylor, A.M., and Williamson, J.G., eds (2003), *Globalization in Historical Perspective*. HF 1418.5 G562 I
- Bourguignon, F. and Morrisson, C. (2002), 'Inequality among world citizens: 1820-1992', *American Economic Review*, vol. 92, no. 4, 727-44
- Boyce, G. and Ville, S. (2002), *The development of modern business*. HF499 B789 D
- Cameron, R. (1993), *A Concise Economic History of the World*, 2nd Ed.
- Eichengreen, B. (1996), *Globalizing Capital: a history of the international monetary system*. HG3881 E34 G
- Foreman Peck, J. (1995), *A History of the World Economy: International Economic Relations Since 1850*. HF497 F715 H
- Jones, E. (1993), *Growth recurring: economic change in world history*. HD78 J76 G
- Lal, D. (1998), *Unintended Consequences: The Impact of Factor Endowments, Culture, and Politics on Long-Run Economic Performance*. HC13 L193 U
- Landes, D.S. (1998), *The wealth and poverty of nations*. HC240 Z9 L261 W
- Nayyar, D. (2006), 'Globalisation, history and development: a tale of two centuries', *Cambridge Journal of Economics*, vol. 30, pp. 137-59.
- Rostow, W.W. (1978), *The World Economy: History and Prospects*.
- Snowdon, B. (2002), *Conversations on growth, stability and trade: a historical perspective*. HB 172.5 S674 C7

For a more detailed guide to reading for the course see 'Additional Bibliography' in the Course Materials folder in Blackboard