

SCHOOL OF ECONOMICS AND FINANCE

ECON 205

**THE DEVELOPMENT OF THE MODERN INTERNATIONAL
ECONOMY**

Trimester Two 2009

COURSE OUTLINE

Names and Contact Details

Course coordinator & lecturer: Dr John Singleton (RH 424, Ext 5131)
John.Singleton@vuw.ac.nz
Office hours: Wednesday 1340-1430
Thursday 1130-1230

Trimester Dates

Teaching Period: Monday 13 July to Friday 16 October 2009
End of Year Study Period: Monday 19 October to Monday 26 October 2009
Examination Period: Tuesday, 27 October to Saturday 14 November 2009 (inclusive)

Note: Students who enrol in courses with examinations should be able to attend an examination at the University at any time during the formal examination period.

Withdrawal dates: Information available via

<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefunds.aspx>

Class Times and Room Numbers

Lecture	Mondays	1240-1330	RHLT2
Lecture	Wednesdays	1240-1330	GBLT3
Lecture	Thursdays	1240-1330	GBLT3

Tutorial (starting 2nd week of teaching). Students choose one from the following streams subject to availability:

Tutorial	Wednesdays	1130-1220	RWW126
Tutorial	Thursdays	1340-1430	RWW126

Sign up for a tutorial group through S-cubed. <https://signups.vuw.ac.nz>. 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.

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.

Course Learning Objectives

Students on this course will gain:

- (1) An understanding of the factors driving the development of the international economy since the mid-19th century
- (2) An ability to research and explain the situation in an economy of the student's choice at a particular juncture in history
- (3) An understanding of the development of exchange rate systems since the mid-19th century
- (4) An understanding of changes in trade policy since the mid-19th century
- (5) An ability to put New Zealand's economic development into an international context
- (6) An understanding of the development of the multinational business enterprise

Course Delivery

The course will be delivered through lectures. The tutorials will be based upon discussion of weekly readings from the ECON 205 Course Readings booklet.

Expected Workload

Total workload = 220 hours, including lectures and tutorials. The 220 hours "should be spread evenly over the 12 week trimester, break, study week and exam period."

Group Work

None

Readings

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

Although you are not compelled to buy a textbook, it is in your interests to have ready access to one, and students who do make a purchase are likely to put themselves at an advantage. Kenwood and Lougheed is a basic introduction should be available in the VUW Book Centre in Rutherford House

The Commerce library contains several copies of J. Foreman-Peck (1995), *A History of the World Economy since 1850: International Economic Relations since 1850*. 2nd Edn,

London, Harvester Wheatsheaf. Though now out of print, this book provides a more advanced treatment of many of the topics covered and is worth studying.

A block of photocopied “ECON 205 Readings” will also be available from Student Notes Distribution to accompany the tutorial programme. You *must* get a copy of the “Readings” A copy of last year’s “Readings” will suffice as they have not changed this year.

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. Calculators will not be permitted in the exam.

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:

Two-hour final exam (100%) OR

Two-hour final exam (50%) plus Course-work (first essay 25%, 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	Friday 21st August at 1240 am
	Essay 2	Friday 9th October at 1240 am

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. 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.

Students with examinations are obliged to be present at university until the end of the examination period.

Note: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All

material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Examinations

The final examination for this course will be scheduled at some time during the period from Tuesday 27 October to Saturday 14 November 2009.

Penalties

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 day and time of your tutorial.

Penalties for lateness (essay 1)

- Late essays placed in the box before 1700 on Monday 24th August will incur a penalty of five marks (for example, 65% - 5% = 60%).
- Late essays placed in the box before 1700 on Monday 7th September will incur a penalty of 12 marks
- No essays will be accepted after 1700 on Monday 7th September

Penalties for lateness (essay 2)

- Late essays placed in the box before 1700 on Monday 12th October will incur a penalty of five marks.
- Late essays placed in the box before 1700 on Monday 19th October will incur a penalty of 12 marks
- No essays will be accepted after 1700 on Monday 19th October

Responsibilities for Practicum Arrangements

Not applicable

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

Failure to meet the mandatory requirements does not prevent a student completing other pieces of assessment including sitting the final exam. However, students who do not meet the mandatory course requirements **automatically fail the course regardless of whether they choose to sit the final exam.**

Communication of Additional Information

Through Blackboard

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <<http://www.turnitin.com>>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. 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.

For the following important information follow the links provided:

Academic Integrity and Plagiarism

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

General University Policies and Statutes

<http://www.victoria.ac.nz/home/about/policy/academic.aspx>

Faculty of Commerce and Administration Offices

<http://www.victoria.ac.nz/fca/studenthelp/Contactus.aspx>

Manaaki Pihipihinga Programme

http://www.victoria.ac.nz/st_services/mentoring/

Essay Topics (2000 to 2250 words) EACH TO BE MARKED OUT OF 100

Essay 1: Imagine that you are able to travel back in time to around 1900 - anywhere between 1870 and 1914 is acceptable but not later or earlier than that.

Choose any country (or group of countries).

- (i) Provide an overview of the main features of the economy. 40 MARKS
- (ii) What are this country's most urgent economic problems? 30 MARKS
- (iii) How could these problems be overcome? 30 MARKS

Essay 2: Answer **one** of the following questions.

1. Account for the rise of the multinational corporation during the twentieth century.

2. How did the Asian economic miracle affect the living standards and quality of life of people in the region?

3. Compare and contrast the economic recoveries after the First and Second World Wars. You may choose to focus on any country or group of countries, or on the world as a whole.

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 Origins of Central Banking	KL 13, 15	FP 11
Week 7:	World War Two Post-war reconstruction Overview of world economy since 1950	KL 16 KL 17	FP 12 FP 12
Week 8:	World trade since 1950 Multinational business Exchange rate regimes since 1945	KL 19, 20 KL 18	FP 13 FP 14
Week 9	The developing economies The oil crises and their impact The great inflation and the policy response	KL21	
Week 10:	Asian economic miracle Japan since 1945 China since 1945	KL 21	FP 15
Week 11:	India since 1945 European economic cooperation Collapse of centrally planned economies	KL21	
Week 12:	Asian financial crisis of the 1990s New Zealand since WW2 The current global crisis in historical perspective		

TUTORIAL PROGRAMME:

The tutorial readings are designed to complement the lecture material, and provide a *starting point* for discussion. The questions are optional and you may care to ask your own ones. Not all of the topics for discussion may be covered in detail in the readings.

Week starting 20 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

Possible questions for discussion:

- How did the industrial revolution create new opportunities for trade?
- Why did the cost of transporting goods over long distances fall?
- What was the contribution of capital accumulation to development of the world economy?
- Did population growth help or hinder the evolution of the international economy?
- What were the implications for international trade of rising living standards in Europe and its settler offshoots?

- Why were some countries excluded from reaping the full benefits of world economic expansion?

Week starting 27 July

Tutorial 2 INTERCONTINENTAL MIGRATION

Reading: T.J. Hatton and J.G. Williamson, *Global migration and the world economy*, ch. 3

- Why do people today move from one country to another?
- What reasons might they have had for migrating in the 19th century?
- Why was there such a big rise in the level of migration in the 19th century?
- What benefits might migration have had for (a) the source country, (b) the destination country

Week starting 3 August

Tutorial 3 THE GOLD STANDARD

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

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’ may be omitted

- What is the purpose of an international exchange rate regime?
- Why did many countries want to join the Gold Standard?
- Explain the price specie flow mechanism
- What was the role of central banks and interest rates in the management of the Gold Standard?
- How far did the Gold Standard rely on cooperation between central banks?
- Did the Gold Standard produce acceptable results?

Week starting 10 August

Tutorial 4 THE MANAGERIAL ENTERPRISE

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

- What does Chandler mean by managerial enterprise?
- How did Germany come to dominate the chemical industry
- How did the USA come to dominate the engineering, automobile and computer industries?
- Why did American firms switch to a policy of diversification in the 1960s?
- Was diversification a successful strategy?
- What lessons does Chandler draw from his study, and are they convincing in the light of recent developments in international business?

Week starting 17 August

Tutorial 5 THE DEPRESSION

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

- What caused the onset of depression in the USA in the late 1920s?

- Why did the depression deepen in the early 1930s?
- What were the flaws in the Gold Standard during the 1920s?
- To what degree did the US economy recover in the mid- to late-1930s?
- What lessons can be drawn from the experience of the 1920s and 1930s when dealing with today's economic problems (e.g. sub prime crisis and credit crunch)?

Week starting 7 September: NO TUTORIAL

Week starting 14 September

Tutorial 6 WORLD WAR TWO

Reading: Niall Ferguson, 'The Second World War and an economic disaster', in Michael J. Oliver and Derek H. Aldcroft, eds (2007), *Economic disasters of the twentieth century*.

- What were the economic costs of the war?
- Why did Germany and Japan follow policies that led to the outbreak of war?
- Why did Germany and Japan lose?
- Is it paradoxical that Germany and Japan were among the most successful economies in the decades after 1945?
- Is war economically irrational?

Week starting 21 September

Tutorial 7 GLOBALIZATION

Reading: Andrew Glyn (2006), *Capitalism unleashed: finance, globalization, and welfare*, ch. 4

- Define globalization?
- How has globalization affected the US economy?
- What is the role of China in the globalization process?
- To what extent is China's development a threat to other national economies?
- How is globalization today (a) similar and (b) different from globalization 100 years ago?

Week starting 28 September

Tutorial 8 DEVELOPMENT FAILURE IN AFRICA

Reading: Paul Collier and Jan Willem Gunning (1999), 'Why has Africa grown slowly?', *Journal of Economic Perspectives*, vol. 13, no. 3, pp. 3-22.

- Account for the economic failure of Africa since independence
- Are the Africans to blame for their predicament?
- Has aid from the West helped or hindered African countries?
- What hope is there for Africa today?

Week starting 5 October

Tutorial 9 THE ASIAN ECONOMIC MIRACLE

Reading: Joseph E. Stiglitz (1996), 'Lessons from the East Asian miracle', *World Bank Research Observer*, vol. 11, no. 2, pp. 151-77.

- Why do people speak and write of an 'economic miracle' in Asia?
- What was the role of market forces in the Asian miracle?
- How did governments assist the growth of the Asian economies?
- Did governments make any mistakes?
- Stiglitz's account was published on the eve of the financial crisis of 1997-98. Do we have reason now to challenge some of his conclusions?

Week starting 12 October:

Tutorial 10: REVISION

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 encyclopaedia

www.nber.org, 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
- Maddison, A. (2001), *The world economy: a millennial perspective*. HC41 M179 W
- Maddison, A. (2007), *Contours of the world economy, 1-2030 AD : essays in macro-economic history*. HC21 M179 C

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.
- Easterlin, R. A. (2000), 'The worldwide standard of living since 1800', *Journal of Economic Perspectives*, Vol. 14 Issue 1, pp. 7-26
- 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
- Glyn, A. (2007), *Capitalism unleashed: finance, globalization, and welfare*. HB501 G568 C
- Harrison, M., ed (1998), *The Economics of World War II*. HC58 E19
- 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
- Landes, D.S. (2006), 'Why Europe and the West? Why not China?', *Journal of Economic Perspectives*, Spring2006, Vol. 20 Issue 2, pp.3-22
- Maddison, A. (1991), *Dynamic forces in capitalist development : a long-run comparative view*. HC51 M179 D
- Milward, A.S. (1977), *War, Economy and Society, 1939-45*. D58 M662 W
- Nayyar, D. (2006), 'Globalisation, history and development: a tale of two centuries', *Cambridge Journal of Economics*, vol. 30, pp. 137-59.
- Oliver, M.J. and Aldcroft, D.H., eds (2007), *Economic disasters of the twentieth century*. HB3722 E194
- 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

June 2009