

Econ 113: January 20, 2015

- Administrative Concerns
- Overview of Course
- Relevance of Economic History
- Studying Economic History
- Framework: Economic Growth & Development

Economics 113
U.S. Economic History
Professor Olney (olney@berkeley.edu)

Administrative Things

1. Bookmark the course webpage:
<http://emlab.berkeley.edu/~olney/spring15/econ113/index.html>
2. Olney e-mails archived at <http://bcourses.berkeley.edu>
3. Enrollment: attend 1st section, or we drop you
4. Letter of Introduction: due at 2nd section meeting
5. [Piazza](#) for posting and answering questions

More from the syllabus

Assessments

- In-lecture participation
- Group work in section
- Problem sets
- Response papers (critique specific readings)
- Midterm (Tues Mar 10)
- Term paper (Thurs Apr 16)
- Final (Thurs May 14)

Policies

- No in-class announcements
 - All sent by e-mail
- No laptops
 - Unless they are tablets
 - And even then, used for taking notes, not for “etc.”
- Academic Honesty
 - Plagiarism includes paraphrasing; ask us for help!
 - TurnItIn software
- Fire Alarm

Overview of Course

Proceed chronologically:

- colonial period (pre-1790) *mostly skipped*
- early national & antebellum (1791-1861)
- slavery & emancipation
- post-bellum (1865-1914)
- interwar years (1919-1940)
- post-World War II (1946-2015)

Geography matters

Relevance of Economic History

- President Obama's 2013 inaugural address
- Key quotes
 - Together we determined that a modern economy requires **railroads** and **highways** to speed travel and commerce, **schools** and **colleges** to train our workers. Together we discovered that a **free market** only thrives when there are **rules** to ensure **competition** and **fair play**. Together we resolve that a great nation must **care** for the **vulnerable** and **protect** its people **from life's worst hazards and misfortune**.
 - Through it all, we have never relinquished our skepticism of central authority, nor have we succumbed to the fiction that all society's ills can be cured through government alone. Our celebration of initiative and enterprise, our insistence on hard work and personal responsibility, these are constants in our character.

Relevance of Economic History

- Barry Eichengreen article in reader
 - How do we understand current events & devise policy?
 - Deductive reasoning
 - Start from abstract – a model – and apply it to events
 - Inductive reasoning
 - Start from facts – the event – and build a model
 - “Analogical reasoning”
 - Start from analogous event – an historical analogy – and look for parallels & differences with current event

Relevance of Economic History

- What current (post 1980) events may be better understood with history?

Studying Economic History

- *Not* a set of facts to be memorized
- Economic theory influences our explanations and understanding of history
- History helps us clarify the assumptions of economic theory

Economists ≠ Historians

- Economist:
 - Concerned with “on average” even if it does not describe any one case in particular, not with specific cases
- Historian:
 - Concerned with specific cases more than “the average” which fits no one case

Must all evidence be “empirical”?

- What if some evidence is systematically not recorded?
- Logan Presidential Address (reader article #2)
- Narrative evidence, which may include personal experiences
 - “While it is true that the plural of anecdote is not ‘evidence,’ personal experiences are not anecdotes, they are *facts*.”

Economic Models

- Characterized by
 1. Question
 2. Simplifications & Abstractions
 3. Assumptions about Economic Behavior
- Expressed with
 1. Words
 2. Graphs
 3. Equations

Where do assumptions come from?

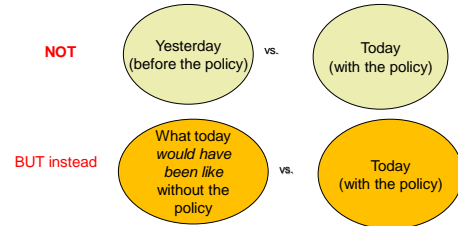
- Frequently, from author’s personal experience
- A discipline that lacks diversity in its faculty will lack a diverse set of assumptions in its analysis
- All semester long: focus will be on assumptions

Two Terms We Use

- "Cliometrics"
 - Use of economic theory and statistical reasoning in the study of history
 - Most of the economic history we will do is "cliometrics"
- "Counterfactual"
 - A style of argument: assume alternative historical facts, to demonstrate importance of actual facts

Counterfactual

- To evaluate any policy (or event) compare the policy or event's results with *what would have been* in the absence of that policy (or event)



Framework: Growth & Development

- Economic growth
 - ↑ real GDP per capita
 - ↑ living standards
- Economic development
 - Infrastructure

Table 1. Economic Growth Rates
(average annual percentage increase
of Real GDP per capita)

	U.S.	14 countries
1820-1870	1.5	0.9
1870-1989	1.9	1.6
1950-1973	2.2	3.9
1973-1989	1.6	2.2
For comparison: data computed by Prof. Olney with real GDP per capita data on BEA website (www.bea.gov)		
1950 - 1973	2.5	
1973 - 1989	2.0	
1989 - 2007	1.8	

Table 2. GNP per capita, U.S.

	(1989 \$)	Annual Growth Rate from Previous Date
1710	\$ 550	
1775	750	0.5 %
1840	1,350	0.9
1880	2,650	1.7
1929	6,150	1.7
1945	10,450	3.4
1960	11,100	0.4
2000	27,857	2.3

Economic Growth

- Production Possibilities Frontier
- Sources of growth?

Solow Growth Model

- More formally. . .

$$Y = A \cdot F(K, L)$$

We need to expand that basic model

- But agriculture matters, too:

$$Y = A \cdot F(K, L, T)$$

- Government & human capital matter, too

$$Y = A \cdot F(K_p, K_G, K_H, L, T)$$