Contents

List	of tables page x of figures xi of maps xiii
	of boxes xiv
	eword xv
Introduction :	What is economic history?
	ciency in the use of resources shapes the wealth of nations 1 line of the chapters 4
1 The makin	g of Europe 10
1.1 1.2	The geo-economic continuity of Europe 10 Europe trades, therefore it is! 14
1.3	From geo-economics to geo-politics: the European Union 18
2 Europe fro	m obscurity to economic recovery 21
	casca, 10 coo
2.1	Light in the Dark Ages 21
2.2	Gains from division of labour: Adam Smith revisited 22
2.3	Division of labour is constrained by insufficient demand 24
2.4	Division of labour promotes technological change 26
2.5	After the post-Roman crisis: the economic renaissance of the ninth to fifteenth centuries 28
2.6	Population 29

	2.7	The restoration of a monetary system 30	
	2.8	Transport and trade routes 31	
	2.9	Urbanization 32	
	2.10	Production and technology 36	
3 Popula	ation	n, economic growth and resource constraints 42	
	3.1	Historical trands in nanulation around	
	3.2	Historical trends in population growth 42 The Malthusian theory of population growth and stagnation	45
	3.3	Is the Malthusian theory testable? 47	45
	3.4	The secrets of agricultural progress 49	
	3.5	Understanding fertility strategies 52	
	3.6	The demographic transition 54	
	eex		
4 The na	 Iture	and extent of economic growth	
		lustrial epoch 60	
	4.1	Understanding pre-industrial growth 60	
	4.2	Accounting for pre-industrial productivity growth 62	
	4.3	Wages and income distribution 67	
	4.4	When did Europe forge ahead? 68	
	Арре	endix: The dual approach to total factor productivity measurement	71
2 10 10 10 10 10 10 10 10 10 10 10 10 10	iii		
5 Institu	tions	s and growth 74	
	5.1	Institutions and efficiency 74	
	5.2	771	
	5.3	PPI 1	
	5.4		
	5.5	Market performance in history 79 The evolution of labour markets: the rise and decline of serfdom	0.1
	5.6	Firms and farms 82	81
	5.7	Co-operatives and hold-up 85	
	5.8	Contracts, risks and contract enforcement 87	
	5.9	Asymmetric information, reputation and self-enforcing	
	,	contracts 89	

The restoration of a monetary system

man or or	
4	
5000	
200	-

6	Knowledg	e, technology transfer and convergence 92
	6.1	Industrial Revolution, Industrious Revolution and
		Industrial Enlightenment 92
	6.2	Science and entrepreneurship 99
	6.3	The impact of new knowledge: brains replace muscles 100
	6.4	The lasting impact of nineteenth-century discoveries and
		twentieth-century accomplishments 107
	6.5	Technology transfer and catch-up 110
		6.5.1 Why was Germany a late industrial nation and why did
		it grow faster than Britain once it started to grow? 117
		6.5.2 Human and capital investment 118
		6.5.3 Research and Development 120
		6.5.4 Industrial relations 120
	6.6	Convergence in the long run: three stories 121
-	Manaulari	all and banks
_	money, cre	edit and banking 129
	7.1	The origins of money 129
	7.2	The revival of the monetary system in Europe:
		coins and bills of exchange 131
	7.3	Usury and interest rates in the long run 135
	7.4	The emergence of paper money 136
	7.5	What do banks do? 140
	7.6	The impact of banks on economic growth 142
	7.7	Banks versus stock markets 147
	App	endix: The bill of exchange further explored 151
>	Trada tarif	fo and grouth
		fs and growth ar Persson and Paul Sharp 154
<i>,</i> y	Rail Guille	ar Persson and Paul Snarp 154
	8.1	The comparative advantage argument for free trade and its
	0.1	consequences 154
	8.2	Trade patterns in history: the difference between nineteenth and

156

158

twentieth-century trade

Trade policy and growth

8.3

Lesso	ns from history 160
8.4.1	From mercantilism to free trade 160
8.4.2	The disintegration of international trade in the interwar
	period 163
8.4.3	The restoration of the free-trade regime after the Second
	World War 164
8.4.4	Empirical investigations 165
endix	Comparative advantage 167
	•
	8.4.1 8.4.2 8.4.3 8.4.4

9 International monetary regimes in history by Karl Gunnar Persson and Paul Sharp 171

7.1	why is an international monetary system necessary?	171
9.2	How do policymakers choose the international monetary	r
	regime? 172	
9.3	International monetary regimes in history 175	
	9.3.1 The International Gold Standard c.1870–1914	175
	9.3.2 The interwar years 178	
	9.3.3 The Bretton Woods System 179	
	9.3.4 The world of floating exchange rates 181	

10 The era of political economy: from the minimal state to the Welfare State in the twentieth century

10.1	Economy and politics at the close of the nineteenth century 185
10.2	The long farewell to economic orthodoxy: the response to the Great
	Depression 186
10.3	Successes and failures of macroeconomic management in the
	second half of the twentieth century: from full employment
	to inflation targeting 190
10.4	Karl Marx's trap: the rise and fall of the socialist
	economies in Europe 195
10.5	A market failure theory of the Welfare State 199

185

Index

250

11	Ineq uality	y among and within nations: past, present, future	206
	11.1	Why is there inequality? 206	
	11.2	Measuring inequality 207	
	11.3	Gender inequality 212	
	11.4	World income distribution 214	
	11.5	Towards a broader concept of welfare 216	
	11.6	Speculations about future trends in income inequality	217
12	Globaliza	tion and its challenge to Europe 221	
	12.1	Globalization and the law of one price 221	
	12.1	Green and the fact of the price	
		What drives globalization? 224	
	12.3	The phases of globalization 226	
		12.3.1 Capital markets 226	
		12.3.2 Commodity markets 230	
		12.3.3 Labour markets 232	
	12.4	Globalization backlash: three cases 234	
		12.4.1 Trade openness and migration 234	
		12.4.2 The retreat from the world economy 235	
		12.4.3 The tale of the twin farm protests 237	
	Appe	ndix: Freight rates and globalization 239	
	11		
	Glos	ssary by Karl Gunnar Persson and Marc P. B. Klemp 243	2