

# A HISTORY OF THE GLOBAL ECONOMY

1500 TO THE PRESENT



EDITED BY **JOERG BATEN**

# A History of the Global Economy

From 1500 to the Present

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JOERG BATEN

*University of Tübingen*

In co-operation with the  
International Economic History Association



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# **A History of the Global Economy**

Why are some parts of the world poor today, while others are rich? At which point in time did they diverge, and what were the reasons? These core questions are addressed in a concise and accessible introduction to global economic development since 1500. Leading economic historians from across the globe provide overviews of major world regions together with global comparison chapters and case studies highlighting key themes, individuals, processes and events. Utilising a set of common developmental indicators, the chapters address crucial issues such as how international trade and migration, institutions and flows of physical and human capital impacted economic growth. Richly illustrated with informative figures, maps, tables and charts, *A History of the Global Economy* summarises the key economic findings, debates and ideas and provides students and the interested public with an up-to-date and engaging introduction to the origins and evolution of today's global economy.

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# **Introduction: A history of the global economy – the ‘why’ and the ‘how’**

Joerg Baten

For many years of our recent past, one's country of birth predicted the income and welfare level of the majority of the population: if you were born in a western European country or a country that was a previous European settlement (such as the US), you would be relatively well off by global standards. If you were born in the developing world, this would often not be the case. Many observers perceived this almost as a natural law. Even if that might still hold on average, the rapid rise of income in China and other threshold economies over the last years cast doubt on the persistence of development differences. This is even truer after the recent crisis in Europe and the US and after the reappearance of territorial war in Europe.

To answer today's questions, it is crucial to understand the economic history of the past: which countries developed positively during the various periods of their history? This book of the history of the global economy will trace the developments of many individual countries and their world regions. The ingredients of success (or failure) will be the main focus. What was a good economic policy? Was there investment in education? Was there an absence of war? Were there growth-promoting institutions?

In this volume, twenty-seven authors of various nationalities and intellectual traditions will present the welfare development of the global economy and its components in a concise and accessible way. The authors will reflect on the considerable increase in knowledge of global economic history and the history of world regions that has occurred over previous years, both in the developed world as well as in countries with traditionally lower research density in Africa, the Middle East, Asia and other world regions. A special focus of this volume will be on developing countries that have received less attention in former world economic histories: was, for example, Africa always a continent of relative poverty, or were there periods of economic growth in some of its regions? Why did Asia fall behind in the early nineteenth and twentieth centuries?

This book will concentrate on the period from 1500 until today but with a slightly stronger focus on the recent past. Ten world region chapters will present an economic history in a balanced way. The aim is to write a non-Eurocentric history; hence, the chapters discuss world regions that have an approximately similar population size currently. Each world region chapter will have circa 500 million inhabitants today.<sup>1</sup>

‘Interlinking’ chapters will summarize some of the core debates and topics studied recently. These interlinking chapters will also take a global perspective on some of the core indicators and growth determinants. In addition, a number of shorter ‘highlight’ articles will focus on particular topics in economic history that shed light on especially astonishing developments, such as why Ethiopia was not colonized and the productivity of Second World War industry in Japan.

We decided to consider a set of core indicators in the world regions so that a comparative picture emerges. Among these indicators will be estimates of national income. The political and institutional dimension will be represented by an index of democratic possibilities. In addition, recent research has suggested that indicators of nutrition and health are important. Finally educational – and numerical abilities in particular – will be traced. Indicators for these components of development will be described in the following pages. Their major advantages are as follows: (1) they approximate some of the core dimensions of development such as income, political freedom, health and education; (2) and they are available for a large number of countries also located outside the Western world and for almost the whole nineteenth and twentieth centuries (and often earlier).<sup>2</sup>

In particular, the long-term history of developing countries sometimes required the use of new proxy indicators that are less obvious in their informative values or in the possibility to measure them with a sufficient degree of precision. We will therefore discuss their plausibility in detail in the following.

### **Gross domestic product (GDP) as an indicator of productive capacity**

One indicator that seems not to need much introduction is gross domestic product per capita (GDP/c). This is the total national income of a country, divided by its population, following internationally established rules to measure it. GDP has many advantages: it measures the people’s command over produced goods and services. These not only provide direct utility to human beings, but they can also be used indirectly to improve health and education, which again enhances well-being and utility in the future (Bolt *et al.* 2014). Hence, the growth of GDP per capita over the last two centuries in many world regions had important consequences for the standard of living. Looking at various countries, it becomes clear in this volume that lower growth in GDP in many of them caused dissatisfaction in their inhabitants.

In sum, GDP per capita is one of the most important concepts for tracing the development of the global economy. Why, then, should we consider other indicators at all? There are several reasons why GDP should be complemented with other measures of well-being. First, the rules for measuring GDP were designed for recent decades (especially the period after the 1960s). For example, it is more difficult to estimate GDP for the UK in 1800 than in 1960 or for Malawi in 1800.