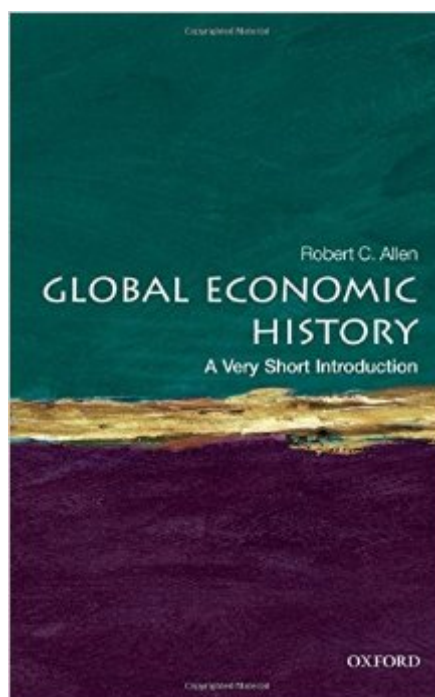


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Global Economic History: A Very Short Introduction



Synopsis

Why are some countries rich and others poor? In 1500, global income differences were small, but disparities have grown dramatically since Columbus reached America. In this Very Short Introduction, Robert C. Allen shows how the interplay of geography, globalization, technological change, and economic policy has determined the wealth and poverty of nations. Allen shows how the industrial revolution was Britain's path-breaking response to the challenge of globalization. Western Europe and North America joined Britain to form a club of rich nations, pursuing four policies--creating a national market by abolishing internal tariffs and investing in transportation, erecting an external tariff to protect their fledgling industries from British competition, creating banks to stabilize the currency and mobilize domestic savings for investment, and promoting mass education to prepare people for industrial work. Together these countries pioneered new technologies that have made them ever richer. A few countries--Japan, Soviet Russia, South Korea, Taiwan, and perhaps China--have caught up with the West through creative responses to the technological challenge and with Big Push industrialization that has achieved rapid growth through coordinated investment.

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Customer Reviews

The general question Professor Allen addresses is why some countries are rich and others poor. He notes that around 1500 CE there was no marked difference among most economies, and divergence only began when long distance commerce was enabled by the advent of full rigged sailing ships. He identifies this as the birth of globalization. The gains from this long distance trade

were not enjoyed uniformly, thus beginning the "great divergence". Both England and the Netherlands profited by this globalization, and had pulled away from the rest of the world by the 17th century. England became the home of the Industrial Revolution. This period, say 1760 to 1850, was replete with innovations in many areas, including the first steam engine. The steam engine was the first practical demonstration that heat could be turned into power. He does a good job of describing its early evolution and its initial impact, but he doesn't explicitly note its crucial role in opening the technical door to the much more widespread exploitation of the power contained in high energy fuels like coal and oil and, much later, nuclear fission. Escaping the power limitations inherent in animal muscle put the west on an entirely new trajectory of economic growth. The last two-thirds of book presents a description of the economic development of many individual areas of the world and their economic interactions. In addition to GDP/head, his yardstick of comparison is often the relative wages of workers. The Economists magazine's Big Mac Index was not available in those early days to normalize currency differences, so he constructed his own: he estimated the bare subsistence wage for each country, and then compared countries in terms of wages as a factor of bare subsistence.

Robert C. Allen wrote whole global economic history vigorously. A thin book has a substantial contents. His profound knowledge overwhelms us, passing on his strong message. He divides the last 500 years, when countries developed differently in prosperity, into three periods, the mercantile era, the catch-up and the big push. He paid attention to real wages, which tells the standard of living in the region of each period. He claims cheap labour takes off incentives from businesses to invent or adopt machinery to raise productivity. Allen thinks Globalization, technological change, and economic policy have become the immediate cause of unequal development, while admitting certain roles of institutions, culture, and geography in its background. Globalization spurred northwestern Europe forward but held southern Europe back, while demanding additional labour, agricultural revolution, energy revolution, and high level literacy. The Industrial Revolution became a turning point in the world history for its inaugurating the era of sustained economic growth. Why The Industrial Revolution started in Britain is explained by profitability. Considering Britain's high-wage and cheap-energy economy as a result of political, cultural and geometrical context at that time, business in England found using technology as profitable. All of today's rich countries were involved in creating entirely new industries made in the late 19th century. High wages induced more capital-intensive production that led to higher wages. The Western countries enjoyed an ascending spiral of progress, while today's poor countries missed the elevator. Technical change with

globalization prompted de-industrializing the ancient manufacturing economies of the empires in the east of Europe.

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