

Economic History – plan of the course

Lecture 1

1. Introduction to economic history – selected issues (discussed in separate introductory text)

- basic concepts: economics and social sciences,
- history and archeology, material and written sources,
- primary and secondary sources, institutions,
- economic determinism in historical sciences,
- geographical and institutional determinism in economic history (institutional economics vs new economic geography)
- malthusianism & neomalthusianism
- geography as a beginning of developmental path
- economic vs political history
- new economic history (cliometrics)

2. Differences between feudalism and capitalism.

- wider meaning of **feudalism**: stage in history that preceded capitalism; the entire social and economic structure of medieval Europe; based on mode of agricultural production defined by the relation between lords and the peasants (working their own land and that of the lord)
- peasants owing labour service to the lord possessing police & judicial rights over peasants in exchange for military protection; gradual exchange of labour services and payments in kind with cash payments accompanied by development of market relations and loosening of the feudal ties (Western Europe)
- feudal rights and duties subject to inheritance
- feudalism lasting until bourgeoisie revolution (16th century – the Netherlands, 1640's – England, 1789 – France, revolutionary and Napoleonic wars – rest of Europe; liquidation of feudal relations in Eastern European agriculture – until 1860's)
- narrow (non-Marxist) meaning of feudalism: exchange of allegiance for a grant of land (fief) between two people of noble status; private hierarchical relationships established during feudal anarchy among the nobility, the smaller nobles military

service and homage in exchange for income from the fief (dependent landed estate); whole process typical especially for France - helped restore public order and strengthen royal power (11th-14th century) but the whole network was eventually replaced by bureaucratic structures of government of late-medieval and early-modern state (14th-16th century)

- **The estate-based society and equality before the law:** feudal society defined by hereditary character of social and legal status (so people were born unequal); hence its division into basic estates: aristocracy, knights (sometimes joined in a single estate of nobility), townsmen (burghers), peasants (in Western Europe those two estates belonged to a single estate of commoners), clergy; the exceptions in the system were due to different causes: clergy (result of celibate), migration from countryside to urban areas (due to negative demographic balance of pre-modern cities), ethnic or religious communities with distinctive legal status – Jews, Muslims, some foreign settlers and merchants
- Transition to capitalist society: abandonment of hereditary privileges and obligations – equality before the law, theoretically equal opportunities
- in Marxist terms, class struggle between feudal landlords and peasants exchanged in the capitalist phase of development by conflict between bourgeois capitalists, owning the means of production, and proletariat, living from selling its work on the market – except for question about the real existence of class struggle, such attitude induces also statement, that transition from feudalism to capitalism was a passage from mainly rural to mainly urban society
- **Feudal and capitalist idea of property:** feudal property: both sides have limited (although asymmetrical) rights to the same property; in the case of agriculture dominant relation between feudal lord and dependent peasant; open fields divided into lord's land, peasants' fields and commons (usually pastures and woods). Commons often subject to overexploitation and overgrazing (Garret Hardin's *Tragedy of the Commons* vs Elinor Ostrom views on common property)
- capitalist property: sole owner possessing exclusive rights to the specified object, transferable character of rights, property rights central to the legal & political systems as the guarantee of individual freedoms against the state; Western legal systems regard individual ownership as the norm, derogations from which must be explained; in agriculture dominant relation between proprietor and fixed-term tenant (contractual character under equality against the law), alternative to tenancy

existing in the form of independent farmer households (usually created by land reforms); no commons, enclosure on British Isles

- **Guilds:** two different forms: merchant guilds associating merchants and craft guilds, being organizations of artisans.
- Merchant guild: association of traders interested in international commerce; first merchant guilds originated probably in the 11th century from fraternities (neighbourhood religious associations and drinking clubs typical for early Middle Ages); most merchant guilds confined membership to inhabitants of one city, with usual high entrance fee, giving them an exclusive character; merchant guilds quickly became leading political power in medieval cities but the urban social upheavals of the late 13th and 14th centuries, called Zunftrevolution (“guild revolution”), transferred all or part of the political and economic powers of the patriciate to the craft guilds; since the 15th century - most European merchant guilds disappear or survive as attenuated bodies, sometimes as kind of social clubs (return to the initial function)
- Craft guild: occupational association usually comprising all artisans (often suppliers, retailers, wholesale merchants) from specific branch of industry or commerce; hierarchical body, divided into the three categories of masters (only they were full members), journeymen, and apprentices;
- promotion to the rank of master warranted by proof of technical competence (masterpiece) demanded from journeyman; along with market saturation rising scale of demands associated with promotion)
- first recorded guild: weavers' guild in Mainz in 1099 but greatest expansion of this type of organization after 1250
- besides economic importance, significant social, religious, military and political duties to perform
- primary economic objective: establishment of complete monopoly in the common profession, hence focus on obligatory membership; despite frequent attempts at price-fixing, usually not efficient due to other guilds' competition (f. ex. conflicts between weavers and fullers) or the breach of the monopoly by craftsmen working beyond city limits (or beyond political power of the city); additionally municipal supervision and interference in craft policy common at all stages of guild history and from the 15th century - intervention of national governments in Western Europe

- the need of avoiding guild regulations was the primary motive behind the putting-out system (transfer of production to unregulated rural areas, production and its marketing organized by rich merchant/entrepreneur from the city)
- drift of industrial activity from towns into the countryside (the case of English and Flemish cloth production) left the guilds isolated from the main currents of economic power
- guilds as obstacles to free competition were the basic feature of feudalism in industry and hence their abolishment after the French Revolution: France (1791), Rome (1807), Spain (1840), England (1835), Austria and Germany (1859–60), and Italy (1864)
- paradox of revival of guilds under the rule of communist party – obligatory membership in Poland since 1948, its abolishment in 1988 (prime minister M. F. Rakowski, industry minister M. Wilczek)

3. Chronology of the Middle Ages.

- International commerce and urban development as main indicators of changes in almost completely agrarian economy
- Dark Ages – ca. 400-1000 AD, fall of Western Roman Empire (476); at their end Western Europe as one of the peripheries of Islamic world.
- Carolingian renaissance – Charlemagne (768-814) and most of 9th century; growth processes broken by Viking and Magyar incursions; stabilization brought by Otto I and creation of Holy Roman Empire (962)
- growth of medieval society – 11th-13th centuries; urban revival since ca. 1000 AD
 - disputable continuity with Roman towns in Western Europe, disputable continuity with tribal centers in Central and Eastern Europe outside former Roman borders; municipal self-government (commune) as the revival's distinctive feature; fast political emancipation of the cities (emperor Frederic Barbarossa defeated by Lombardian townsmen at Legnano in 1176)
- start of the Crusades (1095) and the beginnings of Italian dominance in Levantine trade (Venice and Genoa, initially also Pisa and Amalfi), decline of Byzantine and Muslim trade
- Champagne fairs as a meeting point of Northern and Southern European trade in the 13th century
- Mongol incursions, Pax Mongolica in Eurasian landmass (1220's-1340's), Silk Route

- “Microbian common market”, The Black Death (1346-1349) – the main census in medieval history due to large population losses (30-50%), reshaping the economic and social situation throughout Europe
- 14th-century crisis of feudalism in the West, successes of Central European economies, Hanseatic League (Hansa) of German-speaking cities dominating trade in the Baltic and Northern Europe
- 15th-century growth and preconditions for agrarian dualism. Bruges as leading trade centre between North and South, growth of Antwerp
- The end of the Middle Ages – alternative dates (1453, 1477, 1492, 1494), Italian early start of modernity (leadership of Italy visible also in the economic dimension – invention of double-entry accounting, bills of exchange)

4. Dualism in the agricultural development of Europe

- beginning from the 14th-century specialisation of Central & Eastern Europe in primary exports (metals, wood, flax, hemp, grain, cattle)
- together with 15th-century population growth in the West rising demand for Central European agricultural products
- gradual refeudalisation of agriculture in the East associated with political domination of nobility, “second serfdom” (rising labour duties of peasants; lack of settling feudal obligations in cash; usually rising judicial prerogatives of landlords)
- Elbe as a border between two areas
- domination of Amsterdam in Baltic trade – source of future Dutch trade supremacy
- territories without access to the Baltic specialising in cattle – Hungary, Ukraine (case of geographically induced export specialisation)
- place in the historiography: Marian Małowist (relations between Eastern & Western Europe, place for elite’s policy choice); Witold Kula – theory of feudal system, underlining lack of profit maximizing behaviour in the case of late feudal lords; Fernand Braudel – “Annales” School & research of international trade in the early modernity; Immanuel Wallerstein – theory of World System, asymmetric, automatic (no place for elite’s choice) and dependence-creating character of core-periphery relations
- results: fall of Eastern European cities due to absence of internal market; general economic backwardness; dominance of nobility in politics; enlightened absolutism

policies in the 18th century; in case of Poland – partitions; need of land-enfranchisement reforms in the 19th century; delayed or uneven start to capitalism

5. Land-enfranchisement reforms in the Polish lands

- abolition of servitude in the Napoleonic period (Russian exceptionalism – 1861)
- Prussian way to capitalism – gradual reforms of the whole state, being an answer to military defeat at Jena in 1806; peasants buying out feudal obligations from landlords for cash and part of their plots; whole process mediated by the state through the system of special local commissions; creation of completely capitalist property and large labour market – poorer peasants disallowed from enfranchisement (main legislation concerning land reform: 1811, 1816, 1823, 1850, end of the enfranchisement processes: 1865)
- Austrian response to the Spring of Nations (1848, end: 1858) – all peasants enfranchised; dispersed agrarian structure, especially in overpopulated Galicia
- Russian delayed modernisation attempt after Crimean War (1861- Russia, 1864 – Congress Kingdom)
- Russia and Austria: problem of commons and indemnisation; lack of such problems after carefully conducted Prussian reform

Lecture 2

1. Basic rules of 19th-century liberalism

- Political features of liberalism: equality before the law, constitutionalism & rule of law, political representation & franchise (usually on the census basis – hence source for future social radicalism and women’s suffrage movement)
- freedom of trade (abandonment of monopolies and trade privileges, lack of internal tolls & tariffs + pursuit of complete liberalization of foreign trade – in reality some tariffs could be left for fiscal purposes on limited range of luxuries)
- *laissez-faire* – non-intervention of state in the economic affairs (state reduced to “night watchman”), free competition in all branches and deregulation (postulate formulated in situation of lack of increasing returns to scale in most of industry), ban on associations of employers and employees (trade-unions illegal in the initial phase of industrialization)

2. Historical antecedencies of post-1815 liberalism

- rule of law guaranteed in England after the Glorious Revolution of 1688

- 18th-century parliamentary democracy in England continued mercantilist policies inaugurated by Cromwell; they, being successful in ensuring England international economic supremacy, were opposed domestically because of side-effects of privileging vested interests and corruption
- On continent, opposition to mercantile policies combined with political opposition to absolutism - French physiocratism (Quesnay, 1760's): source of the wealth is in agricultural production, not in precious metals; phrase *laissez faire, laissez passer*; failure of physiocratic ministers (Turgot) to balance French crown's budget – end of physiocratism as intellectual movement
- English liberalism (Adam Smith, *An Inquiry into the nature and causes of the Wealth of Nations*, 1776): human labour (also outside agriculture) is the source of wealth, free competition on the internal market and free trade in external relations are the best ways to full use of human potential to create wealth (overregulation and trade monopolies are obstacles, trade is a positive-sum game)
- Smithian economic growth through increased division of labour and trade (not through technical progress – treatise written just before industrial revolution); future stagnation included in the model; call for limited role of government (defence, police, public works and institutions not profitable to a single entrepreneur)
- 1786 Anglo-French trade treaty – free trade without revolution
- Abandonment of feudalism in French legal system during first revolutionary years
- Le Chapelier law (1791) against guilds and trade associations (workers as also employers) – future weapon against trade unions
- egalitarian policies under Jacobins' terror
- Anglo-French trade war (1793) develops into full armed conflict, return to protectionism, Continental Blockade (1806) and embargoes
- Napoleonic codifications and their spread all over occupied Europe – quick implementation of modern law unavailable through normal legislation; Code Civile 1804 (freedom of contract, force of law granted to the valid contracts; inviolability of private property) - main influence on civil codes of most continental Europe and Latin America; Code de commerce 1807 regulating forms of business enterprise – simple partnerships, sociétés en commandité, sociétés anonymes (in that case limited liability of all owners but required charter by the government); correction of Code de commerce in II Empire (rule of Napoleon III)

- limited liability and incorporation in 1863 (under 20 million franc of capital), extended in 1867 to all companies – all countries follow French example before 1900 (exceptions – Russia and Turkey)
- decisive unification of French law and administration during revolutionary and Napoleonic rule (goal not achieved under absolutism – kind of paradox)
- destruction of part of the privileged trade companies (Holland) during Napoleonic Wars
- Prussian reforms after 1806 Jena defeat

3. English liberal policies after 1815

- protectionist policy in agriculture after Napoleonic Wars (Corn Laws 1816) inducing fight for foreign trade liberalization
- liquidation of the ban on woolen imports (1819), deeper deregulation of foreign and colonial trade (1822-1824), abolishment of trade with India monopoly of East India Company (1813, tea trade and trade with China - 1833) and Navigation Acts (1822, 1849, 1854)
- liberalization of machine exports, forbidden in 1774 (1820's)
- tariff decreases (1820's and 1840's), the second along with abolishment of duties on primary products and exports,
- the Anti-Corn Law League, led by Manchester industrialist Richard Cobden, and campaign against Corn Laws (1838-1846); repeal of Corn Laws (1846, Robert Peel, conservatist, acting against his party); from that point Britain pursues unilateral free-trade policy
- full free trade: prime minister William Ewart Gladstone (1809-1898) reforms (1860)
- abolishment of Combination Acts (1824 - acts of 1799 and 1800 making trade unionism illegal) and Usury Laws (constraining banking activity)
- repeal of Bubble Act (1825) and lack of charter requirements for companies (1844)
- introduction of limited liability acts (1850's) and general availability of limited liability (1862)

4. Trade liberalization outside Britain, return to protectionism (neomercantilism)

- German integration through trade (Zollverein – German Customs Union, established in 1818, enlarged 1828, 1834; Prussia unifies its customs area in 1818 after 1815 territorial gains – no tariffs and tolls inside the state, high tariff on the

borders; negotiations with other German states concerning joining the Prussian union, followed by enlargements – from 1821 onwards (the most important: 1828 – Hessen-Darmstadt; 1831 – Saxony, Hessen-Kassel, 1834 – Bavaria, 1835); leading role of Prussia as the biggest state; abolition of numerous tariffs and tolls between union members combined with protective tariff on the borders; exclusion of Habsburg Empire competing with Prussia for leadership in Germany; Zollverein initiated Germany's political unification, enabled by Prussian victories against Austria (1866) and France (1870) and conducted in 1871; paradoxically customs unification was completed as late as 1888 (17 years after political one)

- Anglo-French trade treaty 1860 (Cobden-Chevalier): reduction of French abortive tariffs to maximum 25%; no tariffs on French exports except wine; introduction of most favoured nation clause – net of bilateral treaties between different European countries becomes in fact multilateral system
- Protectionism and its intellectual fathers: Alexander Hamilton (1755-1804) in the USA, German Historical School in continental Europe
- Implementation of protectionism – the USA: Republican Party: Morill tariff (1861), McKinley tariff (1890), Dingley tariff (1897); rising scale of protectionism in consecutive regulations; victory of protectionist Union against free-trade Confederacy in the Civil War (1861-1865) – creation of stable environment for future industrialization of the USA
- Germany: imperial chancellor Otto von Bismarck (1815-1898) to gain support of landed interests introduces tariffs on agricultural products to prevent Russian and overseas competition (1878); at the same time German industrial export expansion at foreign markets, including British; introduction of country of origin marks (Merchandise Marks Act 1887) as an early example of non-tariff barriers to trade; *Made in Germany* as argument for counterproductivity of at least part of such measures in the long term
- Russia – tariff increases in 1877 (retaliated by Bismarck year later)

5. Beginnings and history of the business cycle before 1914.

- oversupply as a result of industrial revolution, earlier crises were mostly due to financial speculation and big debt defaults, first oversupply crisis in British textile industry in 1788
- period between crises close to 8-10 years (the Juglar cycle) – surprising regularity

- oversupply leading to numerous bankruptcies, financial instability and deflation (at least falling prices in most affected branches), as also rapid unemployment (as a result, no strikes during crises – workers afraid of losing their jobs)
- brief and self-purifying nature of the crises (return to production activity after short period of emptying stocks/liquidation, leading to higher than pre-crisis production levels), opposed to secular character of agricultural crises and stagnations
- most striking feature - moment of change of greatest prosperity accompanied by financial speculation into rapid fall of economic activity (boom turned bust)
- other cycles – Kondratieff 50-year cycle (25-year waves of growth and decline), growth – 1787-1814 (1792-1815), 1850-1872, 1896-1920
- economic crises of the 19th century: contractions due to political factors during Revolutionary & Napoleonic Wars (1793, 1797, 1803, 1810)
- 1815 – post-war crisis because of evaporation of army demand (England)
- 1825 – crisis due to speculation on the prospects of trade with liberated South America (England), next year crisis in continental Europe (Prussia, Saxony)
- 1836-1837 – oversupply in textile industry, end of hand-weaving in English countryside; England, USA
- 1847-1848 – crisis preceding the Spring of Nations, overinvestment in British railroads, potato blight (started in 1845; the worst outcome in Ireland), spread of crisis in continental Europe (France, Germany)
- 1857 – crisis after Crimean War, although start in USA (basis for Republican victory in 1860), first of truly worldwide character
- 1866-1867 – relatively mild, perceived as the last crisis of *laissez-faire* economy, fall of big banks: Crédit Mobilier in France and Overend & Co. in England
- 1873 – greatest crisis of the century, started by speculation in Germany (inflow of capital thanks to French war reparations after 1871), transmitted to Austria-Hungary; collapse sparked by the crash on stock exchange in Vienna, immediate spread to Germany and other countries
- Relative stagnation after 1873, deepened by European agricultural crisis (trans-oceanic flow of commodities), return to protectionism, mainly in agriculture (1877- Russia, 1878 – Germany), first wave of labour unrest in USA
- 1882 – Union Générale bankruptcy in France (catholic and monarchist political affiliations of fallen bank compromised enemies of the III Republic), end of

railroad speculation in USA (1884), first crisis in Japan, effects: social legislation in Germany (1883-1884), legalization of trade-unions in France (1884), recovery thanks to boom in electrical industry

- 1890 – fall of Baring’s bank due to engagement in Argentina, new wave of investment in Latin America and colonies followed recovery, further instability in world economy in 1893-1894 (Panama affair in France, crashes in Australia and USA)
- 1900 – Russian crisis after boom financed by French capital, development of international commodity cartels – next stage of monopolization process, recovery fueled (among others) by car industry and aluminium production
- 1907 – first monopolistic crisis started by stock-market crash in USA – fall of production, without deflationary effects, result of effective supply control, strong effects in commodity-exporting countries; situation under control thanks to John Pierpont Morgan (1837-1913) acting as lender of last resort – need of more systemic ensuring of that function led to the creation of Federal Reserve system in 1913.
- 1913 – crisis stopped by outbreak of World War I.

6. Monopolization and its influence on the business cycle.

- 1873 - beginning of monopolization of capitalist economy
- monopolization mostly due to market-cleaning effects of previous crises and technological properties of new industrial branches
- lower price-falls combined with high unemployment as a result of monopolies’ abilities to control supply
- different forms of monopolization (initially at national level): syndicates (independent firms cooperating periodically in one stage of their activity, usually sales), cartels (agreement of independent firms ensuring possibly greatest control over specified market), trusts (integrated cartel – shareholders of cartel firms become shareholders of trust, managed by board of trustees and receive dividends from the trust; usually term used for every monopolist agreement)
- anti-trust regulations – USA – Sherman Act, 1890; dissolution of Standard Oil - 1911
- increased concentration of industry – increased political role of labour movement
- international context: first globalization, peripheral sources of global crises, new wave of colonialism

Lecture 3

1. History of money and credit before 1800. Metal currency systems. The origins of paper currency.

- functions of money: medium of exchange (means of payment) & value unit, asset (wealth accumulation)
- medium of exchange: solution to avoid barter in multi-good exchange (separation of buying from selling); value unit: need of standardization to ensure price transparency (basis for becoming medium of exchange)
- wealth accumulation: saving instead of spending, trade-off with medium-of-exchange function; in primitive economies saving often in the form of hoarding
- occurrence of coinage (standardization and certification of means of exchange) at relatively late stage of human history (7th century BC, Lydia), instead of use of generally accepted commodities (metals as early as 2000 BC) or tokens; counting easier than weighting
- wide use of metal money in ancient Greece & Rome (denaturalization of economy), problems resulting from lowering the precious metal content in coins (fiscal purposes of authorities, counterfeiting coins by the public) – first recorded effects of Gresham's Law in action ("bad money drives out the good [from circulation]") – rule named after treasurer of Elisabeth I, sir Thomas Gresham (1519-1579), who formulated it in 1558; previously stated by Copernicus and French philosopher Nicole Oresme (1320-1382)
- monetary crises in Rome resulting from often debasements (making coins by state mint from smaller quantity of metal than officially acknowledged) and lack of precious metals – beginnings with the reign of emperor Nero (54-68 AD)
- demonetization of economy in early Middle Ages, an attempt of remonetization – Charlemagne reform: 240 denari minted from one pound of silver – system which survived Middle Ages (last reminiscent: British division of pound in 20 shillings, 12 pence each, abandoned in 1971)
- remonetization after 1000 AD (together with development of commerce and cities)
- lack of stable currencies for most of the Middle Ages (debasement as temporary fiscal remedy, especially during war years)
- Italian (Florence, Venice, Genoa) cities as places of origin of most popular coins

- increasing role of Central Europe as a source of precious metals in late Middle Ages (Bohemian silver for coins like grossus and thaler, Hungarian gold)
- domination of silver in coinage (gold used for wealth accumulation; exceptions – some Italian coins)
- inflow of Southern American silver - 2nd half of 16th century, rising price of gold (change of price ratio to silver from 1:10 to ca. 1:15)
- paradox of declining economic position of Spain combined with main role as a supplier of specie for Europe
- Crisis of the 17th century – monetary explanations – decreased or slowed inflow of silver from America as a cause of economic contraction – still disputable
- monetary debasements and crises – central bank as solution (1668 - Sweden, state's owned Riksbank; 1694 – Bank of England as private company), beginnings of paper money (fiduciary emission of central bank notes, mechanism known from earlier activity of merchant banks; in the Swedish version notes as proofs of depositing large sums in copper currency in Riksbank's treasures – due to copper cheapness big value coins were extremely heavy, hence the demand for depositing them in safe place)
- Sir Isaac Newton (acting as master of the mint) sets gold-silver parity of the pound at 1:16, while market relation is 1:15.5 and retires before making any adjustments to official gold/silver ratio, which remains constant (overvalued gold drives out silver as a consequence – accidental origins of future Gold Standard), 1717
- French failure (John Law system 1716-1720 – central bank with capital on joint-stock basis issuing redeemable paper money of fixed value + tax collection + coinage + joint-stock Mississippi Company promising profits from colonial trade & uninitiated exploitation of Louisiana – after initial success of restoring state budget solvency collapse due to lack of real basis for repaying bank notes & state-issued securities), hence French distrust of banks and central banking
- English speculation on joint-stock companies (South Sea Bubble, 1720) parallel to John Law, hence English distrust of limited liability expressed in Bubble Acts (abandoned in 1825)
- French revolution and paper money inflation - fiat money (from Latin “fiat” – “let it be done”) based on the government's regulation – later inability to redeem in specie without discounts; hence bad opinion of paper money

- Bank of England suspends redeemability of its notes into specie in 1797 (de facto paper money system until Waterloo)

2. Money in the long 19th century. Different versions of gold standard. Bimetallism.

- Britain adopting officially monometallic Gold Standard in 1821 (after 1797-1815 suspension of conversion of notes into specie and return to redeemable currency in 1816); along with rapidly rising role of Britain in post-war economy of the first half of the 19th century, attractiveness of its monetary system increases (network externalities – increased use of gold-based money raises its international acceptability – self-amplifying effect; therefore Portugal, dependent heavily on trade with Britain, adopted Gold Standard in 1854 – much earlier than most of European countries)
- continental experiences with bimetallism (in the 1st half of the century de facto silver standard, usually based on the parity of French franc from 1803 – so called franc germinal), Latin Monetary Union (France, Italy, Belgium, Switzerland) created in 1865 to coordinate silver parities of coins in bimetallist system - adjustment achieved by reduced fineness of silver used in mints (previously coins of greater fineness were disappearing from circulation); open character of the union – soon other countries set their currencies on franc germinal parity (Romania – 1867; Greece – 1868; Spain – 1868; Finland – 1877; Serbia – 1878; Bulgaria – 1896)
- Austria and Russia – coins less visible in circulation, domination of paper money
- monetary explanations of Kondratieff cycles (1850's expansion – gold discoveries in California and Australia, 1890's - Alaska and South Africa combined with technology shock – improved method of gold extraction with the use of acids)
- after 1850 gold money drives out silver, Gold Standard adoption by most of European countries: Germany 1871-1873 (side-effects - deflationary character of reduction of monetary base after sudden expansion associated with French reparations – sharper character of following cyclical contraction), other countries follow German example: LMU 1873-1878 (silver coins based at franc parity remained in circulation, although being gradually withdrawn, silver 5-franc coins stopped to be minted in 1878), Scandinavian Monetary Union (Denmark, Sweden & Norway 1873-1875), the Netherlands 1875, Russia 1890, India 1898
- universal character of Gold Standard during First Globalization (except China & Far East), gold points (values of maximum deviation of exchange rate from the

value resulting from gold parity – after their breach automatic equilibrating mechanism started to act in the form of trans-border gold flows), inability of governments to conduct expansionary policies

- American experience (lack of central bank for most of first 130 years of independence (exceptions – Bank of the United States 1791-1811 – ended by Thomas Jefferson, second Bank of the United States – 1816-1836 – ended by Andrew Jackson); 1792 (1:15) and 1834 (1:16) dollar parities (as effect silver standard between these dates); inconvertible paper money (“greenbacks”) issued during Civil War, Confederacy notes declared invalid after the War; dollar convertible into specie as late as in 1879 - Gold Standard after lack of international support for bimetallism at Paris monetary conference in 1878; silver party – coalition of silver-producing states overrepresented in Senate fighting for bimetallism, highly populist (height of influence in 1890’s), obligatory silver purchases by Treasury in exchange of silver certificates being in effect part of money in circulation; final absorption of Gold Standard – 1900; 1913 – Federal Reserve System [Fed] – final creation of central bank)
- World War I – end of classic Gold Standard

3. The quantity theory of money

- Inflation (rising price level) is in close positive relation with changes in money supply
- Developed by empiricist philosophers of the Enlightenment (David Hume)
- Anti-mercantilist implications: if accumulation of money is raising prices, so positive trade balance (goal of mercantilist policy) would increase inflation but would not increase wealth
- Part of liberal, free-trade economic program in the 19th century
- Failure to formulate adequate policy response to Great Depression
- Refreshed by Milton Friedman and monetarists in 1960’s and later decades (monetary roots of economic cycles)
- Problems with policy applications due to imprecision of the term ”money supply” since early 1980’s

4. Historical models of banking.

- British model – based on discounting of short-term commercial papers and negotiable instruments – short-term credit only (less stable financing for enterprises but much safer banking system); outside Britain introduced in Russia

- German model – securing long-term financing (thanks to transformation of many small short-term deposits into large long-term credits), as also acquiring shares in financed enterprises – fostering much more robust industrial development (especially when large investments were concerned) but not so safe – bank funds “frozen” in less liquid, long-term investments, in the case of bank panic quite sure recipe for insolvency; popular in most of industrializing countries
- American exceptionalism in banking organization – banking licences granted on state, not federal level – many small banks without branches (Bank Units System, opposed to British Bank Branches System – a few large banks with many branches)

5. Creation and significance of the central banks.

- Precursors – Riksbank and Bank of England
- Privately owned institution at the beginning – exception Riksbank and its followers (Bank of Finland, Russian State Bank); created mostly at the beginning of the 19th century – France (1800), Finland (1811), the Netherlands (1814), Austria (1816), Norway (1816), Denmark (1818), Portugal (1821), Poland (1828), Greece (1841), Belgium (1850) – quite late as for the fastest industrializing country on the continent; Switzerland - 1905
- usually one of many banks issuing notes, gradually achieving legal monopoly for the issuance in return providing services to the government (holding part of public debt, cash advancement to national treasury, oversight of financial system)
- Banking Charter Act (Peel’s Act) 1844 – regulating banking sector and Bank of England; separation of Issue and Banking Departments inside BoE – acknowledgement of separate functions of the central bank
- lender of last resort function during crises as a result of Peel’s Act – central bank exits from supporting real economy and becomes bank of the banks (another level over system of commercial banks), in the case of international panics cooperation of central banks (in the 19th century usually Bank of England helping Bank of France and vice versa – two most important central banks of that time); lender of last resort function contrary to the goal of ensuring stability of the currency
- Gold Standard assumed coverage of issuance by gold reserves held in central bank, in practice some central banks held part of their reserves in foreign currency convertible to gold (mostly pounds) or the British Treasury bills or bank deposits in London (interest-bearing reserves) – Russia, Japan, India, Austria-Hungary,

Scandinavian countries – precursors of post-World War I Gold Exchange Standard

- Issuance conducted in fiduciary system (limited value of currency issued without coverage) – Britain, Russia, Japan (more deflationary version) or in proportional system (bank reserves held in some proportion to currency in circulation) or in hybrid of these two systems

Lecture 4

1. Industrial Revolution.

- fast development of modern industry, which began in 18th-century England
 - Preconditions: agricultural revolution (development of Dutch innovations in England at the turn of 18th century), development of financial market and easier capital availability (London replacing Amsterdam as leading marketplace during 18th century), patent laws – subject to debate, demographic explosion – previously said to follow industrialization, in fact in English case it started before Industrial Revolution
 - Mechanization of production processes (first in textile industry) accompanied by new energy sources (steam engine instead of muscles, water wheel or windmill) – the basic technological feature of whole process
 - Economic sense: capital substituted labour, independence from environmental conditions (implying continuity and regularity of production process, free choice of new locations for industrial activity, abolition of Malthusian barriers also thanks to spillovers to agriculture and abandoning charcoal for coke in iron mills), economies of scale (abandonment of diminishing returns constraint, increasing returns along with technological progress), technical progress as new source of much faster economic growth (Solow growth)
2. **Social implications:** decline of traditional crafts and decentralized countryside industries organized in putting-out system, new wave of urbanization (Lancashire, Belgium, later coal basins, also industrial sectors of old cities), creation of urban proletariat and mass society (partially because of demographic explosion resulting from improving of living standards and medicine)
3. **Structural changes in the economy:** development of heavy industry (production of machines for other industrial branches and agriculture, possible thanks to coke-fueled iron smelting and precise machine-construction techniques with use of

spare parts), increased spatial concentration of economic activity implying development of transport infrastructure (canals and better roads, later railroads)

4. **International implications:** Great Divergence (between Europe and America and other parts of the World), Pax Britannica thanks to British technical dominance, increasing need of economic and social reforms in backward countries (first Prussian way to capitalism, later other countries – process impeded by ancien-regime domination after Vienna and Waterloo)

5. **Industrialization of continental Europe**

- Belgium: first country to industrialize on the continent; Liège - coalmines, heavy industry (Cockerill family – emigrant British engineer succeeding in business because lack of competition resulting from his superior knowledge), Verviers – woolens; secession from the Netherlands – Belgian revolution of 1830, further industrialization – 1830's, later development of chemical industry (Solvay)
- France – July revolution (1830), Saint Etienne, Lille (heavy industry), numerous textile clusters, problems due to insufficient coal supply (import from Belgium, reliance on hydropower implying low urbanization), importance of agriculture and small & medium firms – deviation from common pattern, fastest growth – 1850's-1870's
- Germany – leading position of Prussia (the Ruhr [Germ. Ruhrgebiet] – 1830's, Upper Silesia – 1790's/1800's, zinc besides coal & iron, leading role of feudal aristocracy), decline of traditional weaving in Saxony and Prussian Silesia, strong ties between banking & industry; industrial development conditioned by previous solution of problems of backward, feudal agriculture (hence importance of Prussian land reforms)

6. **Second Industrial Revolution**

- second wave of industrial expansion associated with commercialization of inventions in electricity physics and chemistry (electrical and chemical industries)
- rising role of machine & heavy industry (Bessemer steel, 1856), lowering importance of textile industry
- other branches - oil mining, later car industry
- increased role of patent laws and (in Germany) universities
- new countries as leading industrial powers in new branches – USA, unified Germany
- beginning of decentralization of power sources (electrical & combustion engines)

- after 1900 - first assembly lines (Fordism), scientific management (Taylorism)

7. Development of labour movement and trade-unions

- Britain: legal persecution in the early phase of capitalism, luddism – spontaneous damaging of machines by traditional craftsmen and unemployment
- Trade-Union Act (1871)
- Trade-unions of skilled workers evolved towards mass participation, including unskilled (industrial unions, European model)
- political activity: unions as a basis of Labour Party (1906), evolutionary and reformist attitude of the movement under the intellectual influence of fabianism
- USA: gradual abolishment of anti-union measures through court verdicts
- Knights of Labor (1869)
- Chicago massacre of May 4, 1886 (side-effect of strike started May 1) – remembered as Labour Day by labour movements throughout the world
- American Federation of Labour (1886) – politically neutral, focused on collective bargaining, only skilled members in craft unions
- secession of Congress of Industrial Organizations (1935, industrial unions), creation of AFL-CIO (1955)
- continental Europe: Socialist and social-democratic parties, more radical than Labour Party and earlier founded (Allgemeiner Deutscher Arbeitverein, 1863, in 1875 transformed into Sozialdemokratische Partei Deutschlands)
- social legislation as an attempt to destroy social-democratic influences (Bismarck in 1880's in Germany)
- Marxist internationalism vs national loyalty – loyalty prevails in 1914
- Revolutionaries vs reformists – revolutionaries win in Russia

8. Development of cooperative movement:

- Two currents, both started in Germany, both built country-wide structures, centralized within special bank; common features – associations of individual farmers, craftsmen and small traders without sufficient capital to compete alone on the gradually concentrating markets
- Friedrich W. Raiffeisen (1818-1888) system – cooperative credit unions with unlimited liability of its participants (first – 1864); scheme popular among relatively poorer people, copied in Austrian Galicia (Kasy Stefczyka) and most of the Habsburg lands, also Germany and the Netherlands; descendants – Raiffeisen Zentrobank (Austria), Rabobank (Netherlands)

- Hermann Schulze-Delitsch (1808-1883) – cooperative credit unions with the limited liability of the members – popular among relatively richer people, first in 1850; scheme popular in Prussian partition of Poland (Bank Związku Spółek Zarobkowych in Poznań), as also in Austria and Belgium
- Role of cooperatives in modernizing agriculture – case of Denmark
- Granger movement in the USA – supposed to protect Prairie farmers from monopolist position of railway companies – peak in 1880's-1890's (along with the silver party popularity)

9. Economic aspects of American Civil War

- abandonment of slavery not the initial cause of war – it was addressed as war's goal by Abraham Lincoln in the middle of the conflict
- conflict of interests between industrializing and protectionist North and agricultural and free-trade South – effect of war was also determining American developmental path
- much greater military potential of industrialized North decisive in the final Union victory despite relatively better command of the Confederacy troops

10. Industrialization of Polish lands

- Congress of Vienna (1815) – Polish lands again divided among 3 powers, although with significant doses of autonomy: Kingdom of Poland (most of Duchy of Warsaw) – formally independent state being in personal union with Russia; Eastern parts of former Polish-Lithuanian Commonwealth – provinces of Russia, de facto autonomy in education until 1820's – perceived mistakingly by Poles as sign of future reunification; Grand Duchy of Poznań – autonomous land inside Prussian state; Republic of Cracow – formally free city under protection of 3 powers; most unfavourable situation of Poles under Austrian rule (Galicia being normal province inside absolutist state, separated from rest of Austria by mountain barrier – cause of deepening of economic backwardness)
- Kingdom of Poland 1815-1830: industrial policies: Old Poland industrial district near Kielce (since 1817 Stanisław Staszic, since 1824 treasury minister Ksawery Drucki-Lubecki), new coal deposits (Dąbrowa Górnicza, discovered by Staszic), textile industry based on German settlers (Łódź and *Lodzermenschen*), schools supporting industrial development; trade war with Prussia 1823-1825 (as effect construction of Augustów Canal joining Vistula with Niemen [Memel]); infrastructure development (paved roads system with Warsaw as its center);

- restrictive fiscal measures (trademark of Drucki-Lubecki ministry since its beginning in 1821) meet opposition of liberal landowners focused on development of agriculture (so called Kalisz opposition) industrialization policies enhanced by creation of Bank of Poland in 1828 (money issuance combined with active credit policy); new industrial ventures planned from the beginning under Drucki-Lubecki as more ambitious and capital intensive than in the years of Staszic (source of future problems due to overinvestment)
- Kingdom of Poland after 1830: economic modernization not paired by political counterpart – November uprising 1830-1831; after Polish defeat Kingdom's constitution suspended (rule of marshall Paskevich); economic policy subordinated to Russian strategic military defensive plans; Bank of Poland failures in industrial finance under count Łubieński; tariff barrier between Kingdom and Russian Empire until 1850 – capital jumps the border – development of textile industry around Białystok; mechanization of textile industry in Łódź (1840's – Ludwig Geyer, 1850's – Karl Scheibler) – rapid technological advancement; sugar beet refineries (1830's & 1840's) – rich landlords, often with financing from Bank of Poland, example of industrialization not followed by urbanization
 - Kingdom of Poland after 1864: Aleksander Wielopolski reforms (1861-1863, abandoning of corvée as allowable form of settling feudal tenancy payments, end of discrimination of Jews, polonization of administration) stopped by January Uprising of 1863-1864; tsarist repressions ending the rest of Kingdom autonomy (Bank of Poland being part of Russian State Bank, end of separate budget, russification of administration, degradation of smaller towns into category of villages, keeping village status of new industrial centers until early 1900's); 1864 – land reform (3 years after rest of Russia); slow development of railways due to military doctrine, despite this fast industrialization in 1870's and 1880's and concentration of industry; rebirth of coal & smelting district around Dąbrowa and Sosnowiec, Old Poland reconstructed; Congress Kingdom for short time was the most industrialized part of Tsarist Empire (until French credits industrialized Ukraine and Russian heartland)
 - Prussian partition in first half of the 19th century: gradual land reforms in Prussia (1807-1850) – feudal obligations exchanged by cash & land, only rich & medium peasants allowed to participate, as a result strong landlords but also market-oriented peasant farms, use of hired labour, fastest modernization; in Grand Duchy

- of Poznań land reform more favourable for peasants than in rest of Prussia (political motives) but results the same as in the rest of Prussian state; development of local industry cooperating with agricultural sector; 1848 – Polish uprising around Poznań, after defeat Prussian repressions, end of German sympathy for Polish cause, basis for social unity against germanization
- Austrian partition in first half of the 19th century: Galicia – backward during Metternich era (1815-1848), attempt of Polish uprising in 1846 stopped by peasant rebellion against landlords and annexation of Cracow Republic by Austria; 1848 – Spring of Nations – land reform including all peasants in Austria – in overpopulated Galicia resulting in constant agricultural crisis
 - Prussian partition after 1848: Intense economic rivalry between Poles and Germans in former Duchy of Poznań, despite unfavourable state policy (Bismarck's Kulturkampf in 1870's) won by Poles thanks to dense network of economic & cultural institutions; regional specialization in agriculture and cooperating industries (Poznań becoming heavy industry centre thanks to Hipolit Cegielski's factory of agricultural machines), except for Cegielski - domination of small business & lack of bigger industrial centres; Gdańsk (Danzig) germanized and marginalized as port city, mostly because of dominance of North Sea ports, important as centre of shipping industry (Schichau shipyard), as Elbląg (Elbing) diverging from rest of formerly Polish lands; 2nd wave of Germanization around Poznań after 1894 due to activity of Eastern Land Colonization Society (so-called Hakata – from names of the founders: Hansemann, Kennemann, Tiedemann) – failed again; summing up - the richest part of former Poland despite European agricultural crisis in 1870's-1880's (partially thanks to protectionist turn in trade policy of German state in 1879); additional phenomenon of revival of Polish identity in industrialized Upper Silesia after 1890 – basis for its future cooptation as industrial basis of recreated Polish state
 - Austrian partition in the second half of the 19th century: wide autonomy after 1867 reform of Habsburg monarchy as one of the lands belonging to Austrian part of empire; domination of Poles in provincial government, known of socially conservative policies, preventing growth of significance of Ukrainian minority; Underindustrialized economy with 2 big urban centres: Lwów (now Lviv, Ukraine) and Cracow, besides them oil mining district (Drohobycz, Borysław), despite that modern municipal facilities throughout the province; backward and

overpopulated rural areas with famines as late as 1890's and with big transoceanic emigration

Lecture 5

1. Great geographical discoveries and roots of colonialism

- 1492 – first voyage of Christopher Columbus (Spain), discovery of America
- 1498 – Vasco Da Gama (Portugal), passage to India
- 1517-1519 – Magellan & Elcano (Spain) - first encirclement of the globe
- 1519-1521 – Hernan Cortés (Spain) conquests the Aztec Empire (basis for Viceroyalty of New Spain)
- 1532-1533 – Francisco Pizarro (Spain) conquests most of the Inca Empire (basis for Viceroyalty of Peru)
- 1577-1580 – Francis Drake (England) – second circumnavigation of the World, contesting Spanish-Portuguese duopoly

2. Colonialism - “The Old Empires” – Portugal and Spain.

- Treaties of Tordesillas (1494) and Saragossa (1529). Most of Americas - Spain. Indian Ocean – Portugal. Philippines - Spain, Moluccas (Spice Islands) – Portugal.
- Portuguese colonial empire: Brazil, Spice Islands, Hormuz, Goa, Melaka, Macao, African possessions, trade with Japan. Pursuit of trade monopoly on Indian Ocean (failure in Aden, controlling entrance to the Red Sea)
- Spanish colonial empire: American viceroyalties (white settlement, big estates), Caribbean Islands, Philippines (Manila galleon travelling to Acapulco in Mexico instead of direct route to Europe - result of Portuguese monopoly on Indian Ocean)
- 1503 – Casa de Contratación (House of Trade) set up in Seville in order to manage American colonial trade (monopoly until 1713)
- separation of colonies during Spanish-Portuguese union (1580-1640) – inability of policy coordination, the Dutch and the English expel the Portuguese from most of the outposts, after ca. 1630 – Portuguese ally with England
- breakup of Spanish empire after Napoleonic Wars (resistance of Creoles against the authorities sent from Madrid, American Monroe Doctrine of 1823 supported by Britain) and war against USA (1898, loss of islands)

3. Historical conditions of mercantilist policy

- Renaissance: beginnings of modern state; new ways of warfare: artillery, mercenary armies, full use - Italian wars (conflicts between Habsburgs and France, 1494-1556)
- need to increase fiscal income (resulting from reasons above)
- loss of political importance of feudal lords
- loss of political independence of city-states
- acquiring of the trade and industrial policies of the cities by the national state
- Reformation, spread of protestant values (Max Weber theory) and increase of political conflicts (internal and international)
- results of silver inflows (mainly from Potosi): inflation (especially of agricultural prices), growth of Spanish trading partners, Spanish bankruptcies (1557, 1575–77, 1596, 1607, 1627, and 1647)
- crisis of 17th century, decline of Italian and Hanseatic cities, as also Poland and Ottoman Empire, peripheral status of the Baltic and Mediterranean (consequence of *Atlantic revolution*)
- ca. 1650 – starting point of „full” mercantilism, based on coherent theory

4. Mercantilist policy

- determination to increase military potential by growth of financial and human resources of the state
- determination to increase the quantity of precious metals inside the borders (bullionism)
- determination to achieve trade surplus (trade is a zero-sum game, using contemporary terminology)
- protectionist tariffs, monopolist trade companies for exchange with particular regions, support of domestic industries (usually by the system of monopolies and privileges), development of the navy - resulting from reasons above
- usually open immigration policies favouring qualified artisans but also merchants and agricultural settlers (exception – religious matters - France expelling Huguenots 1685)
- in absolutist countries additional prestigious projects with no profit possibilities
- England: system of trade companies, abandonment of part of the monopolies as a source of political corruption after 1640, Navigation Acts, wars for trade

- free-trade attitude of the Netherlands, dominating world trade ca. 1650, Grotius and *Free Sea* (1609), exception – Dutch East Indies – extremely exploitative and monopolist policies
- Colbertism (from the name of Louis' XIV minister Jean Baptiste Colbert) - France – most known version of mercantilism, trade protectionism, bullionism (perceiving precious metals as source of wealth), economic integration of the state (abandonment of part of internal duties, development of roads and canals) successful industrial policies in the production of luxuries (mirrors, furniture, textiles, decorative arts, often organized in the form of state manufactories), fiscal drainage due to numerous wars (policy of reunions on Franco-German border)
- initial anti-Dutch character of Colbertism, later also anti-English
- impossibility of financing both the strongest navy and the strongest land army together with general overregulation of the economy - crisis of the French model in the first decade of the 18th century
- later lack of significant reforms, only more peaceful foreign policy (potential for fiscal imbalances in case of war)
- Central and Eastern Europe: cameralism (different German principalities after Thirty Year's War, estates of Austrian Habsburgs) – high fiscalism (especially in Prussia) and anti-import stance in industrial policy, concentration on unification of separate lands and overcoming their feudal autonomy, lack of colonies (or, at least, significant ones); cameralist policies were further included in the enlightened absolutism (Austria, Prussia, also Russia)
- lack of mercantilist policies in Poland – low fiscalism and complete military disability

5. Dutch, French and English colonial expansion. Role of colonies in mercantilist policies

- The Dutch: expansion facilitated by two trade companies, strictly associated with the interests of the state: *Vereenigde Oost-Indische Compagnie* (VOC, 1602, Spice Islands, Java, Sumatra, Melaka, Coromandel Coast) and *West-Indische Compagnie* (WIC, 1621, Brazil, Caribbean Islands, New Amsterdam – today's New York)
- Dutch monopoly in cloves and nutmeg, oligopoly in pepper trade, Dutch and English elimination of Venetian trade in pepper in 1620's
- Westphalian peace 1648 & zenith of Dutch trade primacy (1647-1652)
- 1652 – beginnings of settlement in South Africa (ancestors of the Boers)

- decline of Holland and VOC in the 18th century
- The English: conflict with Spain, defeat of Great Armada – 1588
- 1600 - creation of East India Company (initially allied with the Dutch against the Portuguese primacy)
- 1607 – beginning of continuous settlements in North America
- Navigation Acts (1651, 1660, Staple Act 1663), introduction of partially free domestic competition with external protection (“national monopoly”) instead of individual monopolies system. Continuity of policies between Cromwellian and Restoration regimes
- Anglo-Dutch wars (1652-1654 – Treaty of Westminster – the Dutch approve Navigation Act; 1665-1667 – Treaty of Breda, concessions in interpretation of Navigation Acts – Rhine and hinterland trade, New Netherland for England; 1672-1674 – separatist peace - Treaty of Westminster, France fights till 1678)

6. Problem of slavery in the early modernity

- Portuguese colonial policies and their role in the introduction of modern slavery (15th-century roots)
- Indians initially exterminated, the surviving ones become king’s vassals in Spanish colonies (1540’s) – start of African slave imports
- English primacy in 18th-century heyday of slave trade
- Role of slave & Caribbean trade in financing industrialization (Eric Williams) - profits and capital accumulation not as important as technological progress – current denial of Williams’ theses (also disputable)
- English abolition of slave trade (1807), growth of Portuguese trade in 19th century
- Abolition of slavery in English colonies (1833), Great Trek of Boers (1835 – early 1840’s) – side effect of the ban of possession of slaves
- Abolition in USA (1863) and Brazil (1888)

7. Colonial rivalry in the 18th century

- Anglo-French maritime competition (Second Hundred Years’ War, 1688-1783 or 1815)
- Glorious Revolution (1688) and War of Grand Alliance (Nine Years’ War 1689-1697, no territorial gains or losses on the English side). Creation of Bank of England, public debt separated from royal debt
- War of Spanish Succession (1701-1713, Gibraltar, *Asiento* privilege in colonial trade with Spanish America (slave supplies + one ship loaded with industrial

- products a year) for England, Anglo-Portuguese Methuen Treaty – 1703 – beginnings of constant cooperation)
- Asiento abuse and War for Austrian Succession (Jenkins' Ear War, 1740-1748, war in colonies started in 1739).
 - superiority of English financial system during war periods (1740-1748, 1756-1763, 1776-1783).
 - paradox of rate of taxation – effective rate of taxation, enabling greater military potential, was probably significantly greater in parliamentary England than in absolutist France
 - paradox of faster development of French colonial trade (eightfold nominal growth in colonial trade between 1714 and 1789 – faster than British, despite constant military failures) – catching-up effect resulting from low initial base
 - Seven Years War (1756-1763) and destruction of first French colonial empire: losses in the Caribbean and Western Africa (Senegal, Gambia); defeat in India (French possessions limited to Pondicherry and Chandernagore, East India Company control over Bengal – Robert Clive and battle of Plassey 1757, expansionary policy opposite to peaceful & trade-oriented one in the 17th century); French loss of Canada and cession of Louisiana to Spain in order to compensate loss of Florida
 - British state intervention (due to corruption and exploitation of the locals) in East India Company 1773, Regulating Act
 - War for American Independence (1776-1783), fiscal causes of French Revolution
 - gradual British expansion in India (final victory over Maratha Confederacy - 1818)

8. Colonial rivalry in the 19th century

- anti-colonial stance of liberals – lower pace of colonial expansion after 1800 (especially in period 1840-1870)
- search of markets for machine-produced goods instead of search of colonial goods
- gradual change of European demand: raw materials for industry (cotton, wool, vegetable oils, jute, dyestuffs) and food for rising population (wheat, tea, coffee, cocoa, meat, butter) instead of spices, sugar, and slaves, Great Specialization
- more internal-affairs oriented policies in existing colonies, development of local agriculture and mining, decline of local industries (India), free-trade wars (Opium Wars), white settlers engaged in non-trade activities – massive European emigration

9. Russian eastward expansion

- conquest of western Siberia in pursuit of furs – Yermak (1580's)
- Russians reach Pacific – 1640's
- detailed exploration of Arctic Asian coast until Kamchatka and Bering Strait (1730's-1740's)
- border conflicts with China, treaties of Nerchinsk (1689), Kyakhta (1727), Aigun and Peking (1858 – control over Amur, unequal treaties in Chinese historiography)
- Russians reach Alaska (1791)
- conquest of Central Asia since 1830's – bad relations with England until 1907 (Great Game); Russian industrialization of 1890's had to be financed by French capital
- summing up: large land acquisitions without overseas expansion

10. Second British Empire

- Increasing tendency to control strategic outposts on way to India
- Sierra Leone 1808, Gambia 1816, Gold Coast (today's Ghana) 1821 – expansion explained by war on slave trade
- Malta 1802
- South Africa 1806 (Cape of Good Hope)
- Singapore 1819, Anglo-Dutch treaty 1824 – Dutch give up claims to territories north of Strait of Malacca
- end of East India Company monopolies – Indian trade 1813, Chinese trade 1833
- fall of EIC rule in India after sepoy rebellion (Indian Mutiny 1857) – 1858, India subordinated directly to the crown
- colonization of Australia (from 1788 until 1840's in order to avoid overcrowding in British prisons), Norfolk Island (1825), extermination of part of Aborigines and all of Tasmanians
- New Zealand colonized since 1840's, Maori Wars
- Britain's leading position as trading partner and capital supplier of newly independent Latin American states
- Increasing autonomy of white colonies: Dominion of Canada (1867), Commonwealth of Australia (1900), New Zealand (1907), South African Union (1910, after Boer War 1899-1902)

- Statute of Westminster (1931), creation of British Commonwealth, independence of dominions in foreign policy (except Newfoundland), imperial preferences in trade
- African expansion after 1870, purchase of Suez Canal stocks (1875), control of Egypt (1882) Mahdi wars in Sudan, Fashoda incident (1898), idea of Cape Town – Cairo line - cut by German expansion in Tanganyika
- Cyprus 1878
- 1888 – protectorates over Brunei and Sarawak

11. Second French Empire

- 1830 – beginning of conquest of Algiers, later the only area of white settlement
- Napoleon III (II Empire) – Indochina (beginning from 1858 – southern Vietnam, conquest completed 1893 in Laos - III Republic)
- 1859-1869 – Suez Canal (Ferdinand Lesseps) – finally serving British interests
- 1892-1893 - Panama affair (Ferdinand Lesseps) – major political scandal of III Republic
- 1881 - protectorate of Tunis
- since 1880's – intensive penetration of African interior, stopped partially after Fashoda (conflict solution serving as basis for Anglo-French alliance); French West Africa (1895 and extensions until 1909 – Upper Volta), French Equatorial Africa (1910)
- diplomatic conflicts with Germany in Morocco (1905, 1911), protectorate - 1912

12. Changes in the colonial policies of the European nations at the turn of the 20th century. Evolution of economic significance of the colonies.

- technical possibility of European penetration of Africa – ca. 1880
- colonization of Pacific islands (commercially unimportant but potentially strategic outposts – France, UK, USA, Germany)
- new players (Germany, Italy, Belgium, Japan – first extra-European country to have colonies, USA)
- “Scramble for Africa” – as a result only Liberia and Ethiopia were independent African states in 1914
- Italian army defeated at Adwa by Ethiopians (1896)
- open-door policy in China
- Russo–Japanese War 1904-1905
- Japanese control over Korea 1910

13. Economic and territorial development of the USA in the second half of the 19th century.

- fixing of American borders in the first half of the century: purchase of Louisiana Territory from France (1803); War of 1812 – Canadian border on 49 parallel; Spain's cession of Florida (1819); end of Russia's (1824) and England's (1846) claims to the Oregon; secession of Texas from Mexico (1836), followed by accession to the Union in 1845; Mexican War (1846–48) – areas between Texas and California;
- stabilization of American territory in the second half of the 19th century: purchase of Alaska from Russia (1867); end of Indian Wars (1870's-1880's); annexation of Hawaii (1898);
- end of western frontier – 1890 – no free land available for settlement, end of open-range ranching end enclosure of prairie pastures; also cause of declining wages in industry (workers had since then no possibility to become independent farmers), so the later waves of migrants – Italians, Poles, Ukrainians, East-European Jews settled in cities as proletariat (as opposed to German and Scandinavian migrations, overrepresented in prairie farming); 1880-1910 European migration estimated at 17 million people
- economic penetration of continent's interior enabled first by waterways (Erie Canal and Great Lakes, Mississippi), since ca. 1870 by transcontinental railways; in 1850's during gold rush, travel to California usually by sea, around Cape Horn – very quick progress in less than 2 decades
- railway development enabled export of American agricultural products from Great Plains to Europe; along with South American and Australian supplies it led to the structural crisis in European agriculture
- development fuelled also by practical implementation of inventions: Graham Bell (1847-1922) & telephone (1876); Thomas Alva Edison (1847-1931) – phonograph, electric bulb (1879), power station and electricity distribution (1880) – basis for General Electric; George Westinghouse and Nikola Tesla – alternating current electricity distribution – Westinghouse Electric
- development of industrial metropolises inside the continent, not only on the East Coast (Chicago – meat processing, granaries, railway equipment; Saint Louis – clothes, shoes, beer, iron; Cleveland – steel and oil processing, chemicals, Detroit – switch from food processing and shipments to car production – Henry Ford)

14. Foreign expansion in China

- Manchu dynasty (Qing, 1644-1911), Confucian, bureaucratic, centralized state (widespread corruption as side-effect)
- great demographic expansion in 18th century (side-effect of geographical discoveries – despite isolationist policies), spurring emigration from southern provinces
- great territorial expansion in 18th century
- European fascination during Enlightenment (paradoxically started by Jesuits)
- Cantonese trade (1759-1842) and ban on any other form of foreign penetration, contested by the British
- Opium Wars (1839-1841, treaty of Nanking [Nanjing] - 1842, 5 ports open, Hong Kong to the British; 1856-1860 – treaties of Tientsin [Tianjin] – 1858, Aigun Treaty with Russia – 1858; Beijing (Peking) Convention - 1860 France & England, also Russia)
- Taiping rebellion (1850-1864) – greatest military conflict of the 19th century – over 20 million victims; disorganization of the whole state in critical moment; unequal treaties with other western countries during 1860's, then gradual decentralization of the state
- Sino-Japanese War (1894-1895, treaty of Shimonoseki, loss of Taiwan), then partition of the country into zones of influence (Russia, Germany, UK)
- 1899 – US proposal of open-door policy
- de facto unlimited penetration of foreign capital, associated with recognition of China's territorial integrity
- new social group of compradors – Chinese agents of foreign firms
- reform attempts damaged by court factions - 1898
- Boxer rebellion 1898-1901, international military intervention in Beijing (1900-1901)
- Russo-Japanese War 1904-1905, Japanese victory, revolution in Russia
- nationalists end the Qing rule (1911-1912)
- Japanese gains in China resulting from World War I
- civil war after creation of the republic, country divided into domains of different warlords (room for Japanese expansion in 1930's), main nationalist forces represented by Kuomintang government in Canton (1927 transferred to Nanking), initially left-leaning, then anti-communist (source of another internal conflict)

- Chinese People Liberation Army created during fight against nationalists (late 1920's) as military arm of communist movement

15. Modernization of Japan after 1868.

- Isolationist policies of Tokugawa period (1603-1867), real power of shogun, decorative role of emperor (tenno)
- 1853-1854 – commodore Perry missions, Treaty of Kanagawa 1854, Harris treaty 1858 (openness enforced externally)
- 1868 – Meiji restoration (revolution?), emperor's return to power
- Japanese missions to Europe and USA (Iwakura Tomomi 1871), imitational industrial policies, French model of civil administration, conscript land army based on German patterns, navy on British
- abolition of feudalism (daimyo becoming imperial governors, then prefectures instead of domains, end of samurai as class, land reform – private ownership by farmers, land tax)
- conservative samurai reaction to reforms - 1877 Satsuma rebellion of disillusioned restorationists (insurgents killed, but honoured posthumously)
- inflation due to increased government spending, monetary reform & central bank (Belgian style of organization)
- Export specialization: agricultural products (raw silk, tea), later cotton yarn
- privatization of state-owned infant industries in 1880's (partially fiscal purposes), creation of large industrial & financial conglomerates (zaibatsu - Mitsui, Mitsubishi, Sumitomo, Yasuda) with strong political influence
- 1889 – constitution (German influence),
- rise of Japanese nationalism (barrier to westernization), education reform 1890
- expansionist policies in Korea & China
- 1905 victory over Russia makes Japan first Asian power
- gradual militarization of politics & state, annexation of Korea - 1910
- enlargement of Japanese empire and fast industrial growth during World War I
- Japan endangers British domination in Far East – basis for Anglo-American alliance

Lecture 6

1. The peak of first globalization – background of World War I outbreak

- openness to trade gradually decreased by rising protectionism (neo-mercantilism), almost no extra-tariff barriers, lowering transport costs level-off impact of rising tariffs
- free capital flows under Gold Standard, developed capital markets for government debt and stocks
- free labour movement facilitated by declining transport cost (especially after 1870); intercontinental flows but also big migrations inside great Eurasian landmass
- rising intergovernmental cooperation (Hague Conventions)
- economic and social interpretations of roots of war: arms race as solution to satisfy interests of big industry and junkers (Prussian landed aristocracy), nationalism as means of preserving national unity and solving internal problems in age of mass society and labour movement; relative decline of Britain due to spread of industrialization; relative rise of Germany and the will of *Weltpolitik* (world policy)

2. Militarization of the economy. Models of the war economy.

- outbreak of war & common hopes for short end (Schlieffen Plan) – lack of preparation for long-term war effort on both sides
- British domination on seas – Central States cut off from supplies – self-sufficiency & autarky, state-sponsored robbery on conquered lands
- British dependence on overseas routes – reason for unlimited submarine warfare
- rising prices of imports due to surging transport cost
- decline of world trade by one fourth/third – unknown value, in fact
- U.S. neutrality contested from beginning by rising asymmetry of their credit relations with belligerents
- exhausting of material resources & agricultural production capacities - continuity of war effort thanks to drastic reduction of private consumption (malnutrition & starvation)
- rapid growth of government expenditures from about 10% in pre-war period (financing mostly from US market – Entente, or debt owed to citizens – Central States), shares in GDP: UK 1916 – 37.1%, France 1917 – 49.9%, Germany 1917 – 59%

- replacement of market mechanism by bureaucratic coordination (organization & supervision of private businesses, food rationing, conscription, control of raw material supplies, state-owned manufacturing)
- new instruments of traditional state policy: quotas and prohibitions in trade policy, suspension of gold convertibility & issuance of new paper money in monetary policy (rapid growth of money supply – inflation partially hidden by price & wage controls, goods disappear from imbalanced market)
- separate offices and ministries for management of war economy
- most liberal regime – UK, McKenna tariff 1915 – abandonment of free-trade policy, lasting after the war; Defence of Realm Act; 1916/1917 – rising dependence from American supplies and, above all, financial market; no food rationing
- most restrictive regime – Germany, War Resources Department in Ministry of War, led by Walter Rathenau (director of AEG before the war), separate office for coal management, Hindenburg armament program 1916 – total war, *Kriegsamt* for direct management of industrial enterprises, price & wage control, state import monopoly, obligatory supplies in agriculture, food rationing organized by municipal authorities in cities, corporatist self-governance of industry- supporting state policy)

3. Economic and social aspects of World War I.

- indebtedness of Entente states to USA (largest – France, hence the strongest pressure on German reparation payments)
- indebtedness of Central States to their own citizens
- huge deflationary potential of return to Gold Standard
- enlarged capacities in primary products (Latin America, part of colonies and white dominions, also USA)
- enlarged capacities of European heavy industry
- creation of processing industries in traditional primary products suppliers – inferior to European counterparts, hence need of protection after the war (mostly Latin America)
- new powers: USA (global leader), Japan (regional leader), relative industrial & overall decline of Europe
- economic disintegration of Central & Eastern Europe – disputable (Polish case denies the thesis)

- creation of new type of political & economic regime – Bolshevik Russia
- huge demographic losses of warring states (especially felt in France, the country of traditionally low fertility – hence post-war French pacifism); in Britain (country with voluntary military recruitment system) the overrepresentation of social elite among the victims
- problem of veterans – demobilised to the contracting post-war economies, often socially marginalised (“Lost Generation” in the USA), basis for future radical movements (mostly right-wing)
- mass employment of women during wartime – despite post-war return to domestic activities, huge factor for emancipation; spread of suffrage rights for women in interwar period
- democratisation combined with social legislation just after the war, creation of more egalitarian mass society

4. Other sources of post-war instability

- Nov. 11, 1918 - armistice on Western Front
- peace treaties of Entente with Central Powers: Versailles (Germany, June 28, 1919, valid from Jan.10, 1920), Saint Germain en Laye (Austria, Sept. 10, 1919, valid from July 16, 1920), Neuilly sur Seine (Bulgaria, Nov. 27, 1919), Trianon (Hungary, June 4, 1920), Sèvres (Turkey, Aug. 10, 1920, rejected by new nationalist regime, replaced by Treaty of Lausanne, July 24, 1923)
- harsh conditions: blaming Germans for outbreak of war, territorial losses and financial burden of war reparations
- disappearance of old empires: Habsburg and Ottoman
- political fragmentation of Central Europe: Germany still the country of greatest potential in the region despite the losses
- collective security system (League of Nations) undermined at starting point due to isolationism stopping Wilsonianism in US Congress
- Washington Naval Conference (1921-1922) – complementing European peace settlements (UK, USA - 5, Japan - 3, France, Italy - 1.67 ratios for capital ships – recognition of Japan as 3rd naval power, UK gives up two-power standard)
- in fact none of the major states satisfied with new status quo
- erosion of cultural foundations of Western civilization on both sides – basis for success of totalitarian ideologies

5. The problem of war reparations and its influence on the business cycle. The crisis of 1919-1922 and its consequences. Inflation, hyperinflation and currency stabilizations after World War I.

- inconvertible currencies in all belligerent countries (besides USA – only embargo on gold exports) – need to recreate world financial system
- losers indebted to their own citizens, as also to the winners (reparations)
- winners indebted to Americans, loss of investments in Russia (especially France – additional source of pressure on reparation payments), Versailles Treaty sets structure of recipients (52% France, 22% UK, USA give up) putting full assessment of reparations aside to future work of Reparations Commission (1921 – USD 31.5 bn, including 1.4 bn of already performed material supplies)
- January 1923 - French and Belgian occupation of whole *Ruhrgebiet*
- September 1923 – large government payments supporting passive resistance of *Ruhrgebiet* & lack of gold reserves cause hyperinflation of unbacked mark
- need of new reparations schemes: Dawes Plan – 1924 (5-year payment scheme + additional credits to German government for currency stabilization; sum of payments – USD 1.7 bn), end of the Ruhr occupation -1925, Young Plan – 1929 (59-year payment scheme, until 1931 USD 1 bn of payments)
- uncompetitiveness of economies of neutral states (gold inflows during war caused overissuance of money and inflation, Sweden suspended convertibility, Gustav Cassel and concept of purchasing power parity)
- post-war deregulation of the economies – hidden inflation becomes visible with the help of governments reducing thus internal war debts, hyperinflation rage (Germany, Austria, Hungary, Gdańsk [Danzig], Poland)
- political feedback of economic instability – social radicalism, especially in losing countries and newly created states, internal policy goals determining risky behaviour in foreign policy
- post-war crisis as a source of Mussolini's rise to power (1922)
- League of Nations Conference in Brussels – 1920, attempts to return to Gold Standard, absence of USA, Russia and Germany
- 1921 – crisis in USA due to inflation in Europe (external depreciation of European currencies even faster than internal implying loss of competitiveness of American exports), lack of workplaces for veterans – "lost generation"
- 1921 – beginning of American restrictive policies towards European immigration

- Genoa Conference 1922 - Gold Bullion Standard (currency convertible for gold in bars – higher amount of cash needed for exchange) or Gold Exchange Standard (no redeemability, the currencies of Gold Standard possessed by central bank can be used as basis for money issuance) as 2 possible versions of stable money, no return to bank notes redeemability, Russo-German rapprochement (Rapallo treaty) – tsar debts not paid by bolsheviks, reparations not paid by Germany; world financial system regulated by cyclical meetings of central bank governors, USA absent again
- attempts to restore pre-war currency-to-gold parities – the most unsuccessful: 1925, UK, Winston Churchill; other examples – former members of Scandinavian Union (1924-1928), Netherlands, Switzerland – neutral countries
- currency stabilizations below pre-war parity (at 3-27% of initial level): most of former LMU members (France, Belgium, Italy, Balkan countries), Czechoslovakia – 2nd half of 1920's
- creation of completely new monetary system – countries with hyperinflation (1924-1925)

6. World Economy in 1920's.

- good business climate for most of the decade (since ca. 1923), 1924 – European industrial output exceeds pre-war level
- new industrial branches (car industry, airplane construction, electric industry), new media & entertainment (radio, sound movie - 1927)
- relative stagnation in agriculture, additionally deepened by protectionist policies, focused on self-sufficiency
- further concentration of industry, often at international level
- highest output increases in Europe – France, Italy, Czechoslovakia, worse condition of UK, Scandinavia & most of Central Europe, in second half of the decade (besides France) – Belgium, Sweden, Czechoslovakia, Hungary, Romania, boom in Germany fueled by inflow of American capital, worse conditions in deflationary economies of Denmark, UK, Norway & Italy
- 1927 – meeting of central bank governors (USA represented by Benjamin Strong from Federal Reserve Bank of NY), coordinated lowering of interest rates during period of good business conditions resulting in overheating of American economy
- 1929 shares in world industrial production: USA – 44.8%, Germany – 11.6%, UK – 9.3%, France – 7.0%, Soviet Union - 4.6%

Lecture 7

1. The Great Depression, its features and consequences.

- started by crash on NYSE in October 1929
- deflationary policy of Herbert Hoover administration & Fed, beginning of public works system (Hoover Dam) & interventionism (grain market, Reconstruction Finance Corporation – July 1931)
- 1929-1932 – 5.5 thousand of American banks bankrupt (25% of all)
- Democratic Party candidate, Franklin Delano Roosevelt (1882-1945) wins 1932 presidential elections
- decline of world trade deepened by protectionist measures (1930 - Smooth-Hawley tariff in the USA; 1932 – British imperial preference accorded in Ottawa)
- crisis fuelled by repercussions in German & Central European finances (fall of Creditanstalt in Vienna – May 1931, fall of Danatbank – Berlin, July 1931), Hoover moratorium on German reparations June 20, 1931)
- Britain suspends pound convertibility, devaluation follows (September 1931)
- final delegitimization of Weimar Republic, huge unemployment despite public works program (Franz von Papen government – May 1932) and clearing settlements of foreign trade (Kurt von Schleicher government – autumn 1932)
- Hitler's rise to power (Jan. 30, 1933)
- London monetary conference – June-July 1933 – lack of further support for Gold Standard due to FDR attitude, formation of Gold Bloc (lasting until 1936)

2. State interventionism. New Deal.

- New Deal – reform program introduced by F.D. Roosevelt in USA: bank holidays (March 6, 1933) – after 9 days 75% banks restart their activity; Glass-Steagall Act (1933) separating commercial & investment banking & creating Federal Deposit Insurance Corporation
- additional spending in different sectors of economy: Agricultural Adjustment Administration (May 1933 -1936, \$ 1.5 bn of expenditures), Federal Emergency Relief Administration (May 1933 - relief payments for unemployed), National Recovery Administration (June 1933-1935 – 557 basic & 208 supplementary codes of conduct regulating specified industrial branches on voluntary basis – in exchange for Blue Eagle symbol of fair industrial practice), Public Works

Administration (1933-1939 – \$ 4 bn spent on public construction projects), Works Progress Administration (1935-1943 – employment program similar to PWA), Tennessee Valley Authority – economic reconstruction of Tennessee River region, Civilian Conservation Corps – forestry improvement program for unemployed youth

- dollar devaluation Jan 21, 1934: from \$21 to \$35/troy ounce Au; Gold Reserve Act (Jan 30, 1934)
- May 1934 – intervention on silver market – damaging effects for China
- Securities & Exchange Act (1934) – Securities and Exchange Commission (1934), Banking Act (1935) – strengthening of Fed's position against government and state banks
- Social Security Act (August 1935) – old age pensions
- Supreme Court rejects part of New Deal as unconstitutional – 1934-1936
- Return of recession in 1937
- Second New Deal (1937-1938) – agricultural subsidies for soil preservation & other solutions designed to be constitutional
- Return of good business climate – after American entry into the war
- Lack of theoretical basis for interventionism, John M. Keynes *General Theory of Employment, Interest and Money* (1935-1936) commonly accepted after the war

3. Interventionism in the fascist states.

- Italy: concept of totalitarian state – Mussolini
- corporatism (corporativism) as ideology of ensuring national unity by avoiding conflicts resulting from market system, syndicates – sole representation of labour from October 1925, strikes & lockouts illegal; Constitution for corporate state - April 1926, creation of 22 nation-wide corporations - 1934, Council of Corporations as supreme legislative body - 1936 (also basis in social teaching of the Catholic Church - Pius XI - *Quadregesimo Anno*, 1931, hence corporatism in Spain & Portugal)
- public works projects before 1929 (mostly in backward agriculture)
- Istituto Mobiliare Italiano – IMI, Istituto per la Ricostruzione Industriale – IRI, 1933, created on basis of industrial assets of nationalized banks – 50% shares from Italian stock exchange controlled by IRI in 1933; source of finance for big industrial projects (private & public) and bailing out failing firms (without

- nationalization); lack of theoretical corporatist explanation – pragmatic and technocratic origins of the institution
- autarky in foreign trade, especially after League of Nations sanctions resulting from 1935 invasion of Ethiopia, at the same time rising role of state-licensing, reallocation of resources to military industry: war machine at the expense of standard of living
 - Germany – fighting high unemployment as source of legitimacy for Hitler's regime
 - concept of *Grossraumwirtschaft* (big area economy)
 - delegalization of trade-unions, Deutsche Arbeitsfront instead - May 1933, Robert Ley (role in labour mobilization during the war)
 - reduction of market's role in the economy – government price-fixing, bank-licensing, creation of Reich's Economic Council (*Generalrat der Wirtschaft*)
 - state planning associated with private property, Reich's Ministry of Economy – Hjalmar Schacht, from 1938 Walter Funk, Reichsbank -1933-1939 Schacht, from 1939 Funk, War Economy Office of Wehrmacht – Georg Thomas, Office of Plenipotentiary General for 4-year Plan – Hermann Göring; constant rivalry of administrative bodies
 - cannons instead of bread – reallocation of capital towards armaments, rising role of collective consumption (*KdF*, Strength Through Joy), big public works (highways, *Organisation Todt*), 1937 – labour shortage, no rise of living standards
 - mass production of industrial consumption goods on Fordist patterns – *Volkswagen*, *Volksempfänger*
 - autarky in agriculture
 - sources of financing: state robbery of Jewish property, pre-paid VW program, asymmetric foreign trade relations with Balkan countries, *Mefo* bills-of-exchange; despite that imbalances in German pre-war finances
 - Japan – industrial policies similar to those of Germany – armaments expenditure at 17% in 1938, partially because of military expansion in China
 - Dependence from imported supplies implied concepts of New Order in East Asia (1938) and Greater East Asia Co-prosperity Sphere (1940; both dominated by Japan and freed from Western influences – Asia for the Asians)
 - Neutrality pact with Soviet Union – April 1941, clear path for southern expansion

- Summing up: totalitarian regimes intervening in economy in order to build war machine for ensuring wealth thanks to future conquests, democratic governments focused directly on wealth of citizens, especially those most affected by Great Depression, in part to avoid social radicalism

Lecture 8

1. The economy of interwar Poland. Problems of integration of the new state.

- regaining independence (Nov. 11, 1918) as result of World War I
- country destroyed by the war (front movements, exploitative German policy towards the industry of former Congress Kingdom, evacuation of part of factories to Russia)
- need of uniting different legal systems, technical standards, infrastructure (especially in transport)
- cultural differences between 3 partitions
- duality of power at the beginning of independence (Józef Piłsudski and government of Jędrzej Moraczewski in Warsaw without recognition of Entente vs National Polish Committee in Paris recognized by Entente)
- end of potential internal conflict - creation of Ignacy Paderewski government in Warsaw with support of NPC (Jan 16, 1919)
- Paderewski government: shaping the rule of full control of treasury minister over state finances (ministry of Leon Biliński, July - December 1919)
- frequent changes of governments & treasury ministers until 1926 resulting in frequent changes of state economic policy
- constant imbalances in public finance due to border conflicts, post-war reconstruction & unification, as also imperfect fiscal apparatus
- the greatest financial effort - war against Bolsheviks in 1920

2. Inflation and hyperinflation.

- money issuance at the end of war – Polish Country Lending Institution (Polska Krajowa Kasa Pożyczkowa, PKKP) – acting in the part of Congress Kingdom occupied by Germans and with German authorities, issuing Polish mark (on parity with German mark)
- monetary chaos, the need for transitory currency and central bank, hence polonization of PKKP

- inflation during armed conflicts period (until Treaty of Riga, March 1921) – result of financing budget deficit by paper money
- 1921-1923 - additional issuance of paper money (over the value of budget deficit) stimulating post-war reconstruction
- growth of dollar value in Polish marks (%): 1919 – 1123.6, 1920 – 435.8, 1921 – 395.3, 1922 - 509.1, 1923 – 35714.6 (October 1923 alone – 360.6)
- necessary reforms postponed because of failed attempts of obtaining foreign stabilization credits (USA, UK - but offered conditions unacceptable, especially British)
- January – June 1923 – Władysław Grabski in ministry of treasure in Władysław Sikorski (centre) and Wincenty Witos (centre-right) governments
- situation rapidly worsens after Grabski's dismissal

3. Władysław Grabski and his reforms. The second Polish inflation.

- Grabski elected prime minister on December 19, 1923, extraordinary prerogatives of issuing government decrees
- budget reform initially based on property tax (legislation Aug. 1923) and adequate adjustments of tax value (Dec. 1923), later new tax increases, new real estate tax, plans of future sell of part of government property & new tax monopolies; expenditure adjustment – decrease of railway subsidies, job cuts in administration, parallelly unification of fiscal system in all 3 former partitions, 1924 Budget Act assumed 10% deficit to be financed by bond issue or foreign credit
- currency reform – money exchange intervention of PKKP on prime minister's call (Jan. 1924) stopping depreciation of the mark, accompanied by organization of Bank of Poland (Bank Polski) as joint-stock private bank, independent from government; after successful subscription of Bank of Poland shares, start of activity on April 1, 1924 and issue of złoty as new currency on parity with swiss franc, złoty/USD exchange rate 5.18, złoty/Polish mark conversion rate 1:1 800 000
- consolidation of state-owned commercial banks, creation of Bank of Country Economy (Bank Gospodarstwa Krajowego, BGK) – May 1924
- 1925 Polish-German tariff war, BoP suspends złoty's convertibility – July 1925, banking crisis in Poland – Sep. 1925, stopped by government's newly created Fund for Assistance to Credit Institutions; almost 50% drop in złoty's external

value; BoP chairman Stanisław Karpiński denies intervention to Grabski, Grabski's dismissal (Nov. 13, 1925)

4. Economic background of the May Coup. The stabilization of 1927.

- new government of Aleksander Skrzyński (paradoxically supported by rivaling Socialists and National Democracy, no peasant parties), Jerzy Zdziechowski (ND) – treasury minister
- Zdziechowski's policy based on Gustav Cassel's idea of exchange rate as relation between price levels of trading partners' economies, so depreciation could be maintained until external balance was restored
- budget reforms – temporary salary cuts in administration, export duties on agricultural products (anti-peasant move in fact)
- improvement of business climate – ca. Feb. 1926, change of foreign capitalists attitude towards Polish economy, closing ties with USA – search for stabilization credits
- fall of Skrzyński, recreation of highly unpopular coalition of ND with Polish Peasants Party "Piast", Piłsudski's May 1926 coup – beginning of authoritarian system of government
- first years of authoritarianism (1926-1929) – good business conditions (ended by transmission of American crisis to Europe), helping to raise public support for Piłsudski; period of intense state investment activity (sea port in Gdynia, Silesia-Gdynia railway, nitrate-fertiliser plant near Tarnów – Eugeniusz Kwiatkowski as minister of industry & commerce 1926-1930) and rise of importance of etatist modernizers in the ruling elite
- Anglo-American stabilization credit October 1927 used for change convertibility standard (close to Gold Bullion Standard), not for increase of money in circulation

5. The question of land reform

- common in all Central & Eastern European states
- rules of reform determined by social & ethnic relations: countries with native landlords and ethnical diversity among peasants (case of Poland) the least radical, countries with landlords of different nationality and native peasants the most radical (Lithuania, Czechoslovakia)
- measure of radicalism – relation of indemnity payments to land value (ca. 5% in Lithuania – full indemnization in Poland), additional issues of voluntary or

obligatory partition of estates (voluntary) and maximum allowable area of landed estate

- land reform (legislated Dec. 1925) as result of compromise between Polish Peasant Party (class interests of peasantry) and ND (class interests of landlords)
- reform executed during authoritarian Piłsudski's rule – liberal interpretation of legislation – Piłsudski's will of cutting landlord support for ND

6. Great Depression in Poland.

- the longest-lasting in Europe (until 1935), the deepest fall of industrial production besides Germany, very sharp fall of agricultural prices while increasing output (so called hunger supply resulting from peasant's demand for cash) – clear market failure; additional source of intensification of ethnic conflicts in the countryside
- length of crisis resulting at least partially from Polish participation in Gold Bloc (France, Italy, Belgium Luxembourg, Netherlands, Switzerland) created on July 8, 1933 as response to fiasco of London Monetary Conference – strong deflationary effect and loss of international competitiveness; end of Gold Bloc with Popular Front victory in French elections 1936
- worsening of economic situation after fall of Credit Anstalt (May 1931)
- active role of the state – share ownership of bankrupting enterprises (Bank of Country Economy, BGK, as main institution of such policy), increasing shares in banks with liquidity problems (Bank Handlowy SA in Warsaw), new Acceptance Bank for solving problem of agricultural debts – spontaneous etatization of the economy
- Work Fund (Fundusz Pracy) – 1933, public works program for unemployed
- anti-monopolist and anti-cartel policies
- more autarkic economy due to disruption of international trade system

7. Eugeniusz Kwiatkowski's economic policy

- Piłsudski's death (May 12, 1935), after that date decomposition of ruling elite
- new government of Felicjan Sławoj Składkowski (1936-1939), return of Kwiatkowski as deputy prime minister in 1935
- economic goals subordinated to worsening international relations: hence focus on development of military industry associated with broader modernization plans; financing partially from French government credits
- Central Industrial District (COP) – localized in south-central Poland (nowadays south-eastern Poland due to border movements) in order to be relatively safe from

invasion from East and West; constructed under auspices of 4-year plan (July 1936-1940) prepared by Kwiatkowski and not synchronised with 6-year plan of Military Modernization (hence relatively strong pressure on long-time goals and infrastructure development); during the war Germans first dismantle part of the district's facilities, then heavily invest (beyond the reach of the Allies' bombers)

- success of 4-year plan as basis for long-time investment plan 1939-1954 focused on economic convergence between different parts of the country
- March 1939 – changes in the statute of Bank of Poland allowing for more expansionary monetary policy – too late

Lecture 9

1. Bolshevik revolution and its roots

- Bolsheviks - radical faction in Russian Social-Democratic Worker's Party (from *bolshestvo* – majority), consisting of professional revolutionaries, result of the breakup at 2nd congress of RSDWP (1903)
- in fact minority in RSDWP, which was dominated by more moderate Mensheviks (Lev Martov), preferring organization of mass-membership party according to Western patterns
- Bolsheviks led by Vladimir I. Lenin, create their own organization within RSDWP in 1912
- Lenin contribution to Marxism: capitalism will break in the weakest link (i.e. Russia) – earlier Marxist predictions assumed the most developed countries to go first
- 3rd radical power – Russian Socialist Revolutionary Party (SR's), popular especially in the countryside, created in 1902 (Viktor Chernov)
- heavy losses of Russian army in World War I, gradual progress of territorial losses; complete disorder in economic life of hinterland combined with revolutionary attitude of (mostly peasant) soldiers on the front
- famine endangering many Russia's regions in winter 1916/1917
- February Revolution in Petrograd (March 8), tsar's abdication (March 15), creation of provisional government (first centre-right, since May centre-left - Kerensky, liberals, mensheviks, SR's) – many reforms but weak political position, due to activity of Petrograd Soviet of Workers' and Soldiers' Deputies

- October Revolution: armed Bolshevik coup in Petrograd (November 7), Red Guard consisting mostly of mariners of Kronstadt & workers, lack of Provisional Government resistance
- Second All-Russian Congress of Soviets approves creation of new government (Bolshevik commissars instead of traditional ministers)
- Constituent Assembly elections – Bolsheviks defeated by socialist revolutionaries – dissolution of Assembly by Bolshevik government (January 1918)
- Bolsheviks easily take power in industrial cities of central Russia, then spread their rule to remote provinces by civil war (1918-1920)
- success thanks to separateness of efforts of different Bolsheviks' enemies (whites, peasants, anarchists, Czechoslovak Corps), good organization of Red Army by Trotsky, far-reaching promises to every dissatisfied social group, red terror (Cheka & Feliks Dzerzhinsky, December 7, 1917)

2. Doctrinal basis of the centrally planned economy.

- socialising of means of production (i. e. nationalization or collectivization) as a means of dismantling capitalist system
- socialism as development stage following capitalism, transitory to the final goal of communism, where everyone receives his share of income according to his needs (promise of future wealth as an explanation of transitory difficulties – immanent part of the ideological apparatus ensuring system's legitimization); problematic shape of socialist economy – Marx did not describe it in his works
- perception of market as chaotic and typical for capitalism, anti-egalitarian and unjust; hence need of exchanging decentralized market by centralized planning system (being part of proletariat dictatorship under communist party leadership, following the principle of social justice and based on scientific rules) – in reality it led to the creation of administrative-command system, managed by enormous bureaucracy
- hope for creation of “new man”, free from selfish incentives typical for capitalism
- lack of good theory of central planning, as also lack of any practice – experimental character of the system in its initial phases – hence opportunistic sequence of policy changes until consolidation of the planning system during Stalinism

3. War communism policy (1918-March 1921)

- moving to communist society (egalitarian, no alienation of labour, no market & wasteful oversupply crises) & winning civil war – 2 contradictory objectives

- peace with Central States - Brest-Litovsk (March 3, 1918), unfavourable terms (recognition of new states on western border)
- party renamed Russian Communist Party (of Bolsheviks)
- abandonment of money in order to abolish oversupply crises (Bank of Russia crew among first victims of Cheka, liquidation of private banking in December 1917, all financial institutions absorbed by People's Bank of Russian Republic, People's Bank liquidated in 1920)
- social property instead of private property: nationalization of land – peasants divide landlords' estates perceiving government decree as land reform, 1918 – state monopoly for grain trade; nationalization of industry (first workers' control over factories, mid-1918 – final decision about nationalization of big and mid-sized factories, subordination of nationalized enterprises to Councils of National Economy – *Sovnarkhoz*; CNE's under the direction of the Highest Council of National Economy; 1920 – nationalization of every industrial facility employing more than 5 workers)
- strategic economic decisions – Council for Work and Defence (directed personally by Lenin)
- imposition of a single plan for whole economy, compulsory labour.
- elimination of proprietary classes (class terror)
- since summer 1918 - policy focused on food supplies for Red Army and working people in towns & cities (non-working faced with starvation due to state monopoly on food distribution, peasants subject to harsh requisitions) – Leninist reinterpretation of German war economy system
- beginnings of long-term development planning – State Commission for Electrification of Russia (GOELRO)
- results: rapid decline of output (already diminished due to World War I losses and policies; 1920 – 20% of pre-war level); de-urbanization due to massive flee of inhabitants from starving cities to countryside
- Kronshadt rebellion (mariners), Antonov rebellion (peasants near Tambov due to *prodrazvyorstka* grain requisitions), massive famine along Volga – main causes of policy change

4. NEP – the New Economic Policy (1921-1928)

- restoration of money: monetary reform of 1922 (denomination 1:10000), monetary reform of 1923 (denomination 1:100 – total denomination 1:million), red rouble of 1923 (10 roubles 1923) – gold-convertibility for non-residents
- partial restoration of market & private property; economic calculus (*khozrashchot*)
- free market for agricultural products (besides low obligatory supply quotas) – growth of production to pre-revolutionary levels, general recurrence of economic activity
- new middle class (the NEP-men), no possibilities of investing, hence ostentatious consumption
- electrification as means of modernization (GOELRO plan, implemented from 1922, fulfilled 1931)
- creation of State Planning Committee (Gosplan) – initially as auxiliary body of Council of Work and Defence
- main foreign partner – Germany (the only big country not to be creditor of tsarist Russia, treaty of Rapallo 1922)
- 1922 - creation of Union of Soviet Socialist Republics (USSR) – federal structure with theoretically wide autonomy of republics created in reconquered provinces of former tsarist empire
- NEP perceived as liberalization period, although Gulag was created
- 1925 – first voices about NEP as transitory stage and step backwards compared to war communism
- 1925 – party renamed All-Union Communist Party (of Bolsheviks)
- conflict between Bukharin & Rykov (balanced development of all sectors) & Trotsky (priority of heavy industry at the expense of agriculture – administrative prices below market levels)
- 1926-1928 – Stalinist turn – consolidation of Joseph Stalin's (1878-1953) power, practical end of NEP in 1926

5. First Five-year Plan (1929-1932). Socialist industrialization and collectivization of agriculture.

- Stalin's sole rule (elimination of Trotsky with help of moderates, after that elimination of moderates with Trotsky's program theses)
- centralization of the state at the cost of republican autonomy
- "Socialism in one country" – autarky, military objectives of economic policy
- socialist industrialization (heavy industry first, later development of light industry)

- collectivization of agriculture – 1st wave 1929-1930 (kolkhoz- formally voluntary cooperative under strict party control), massive deportations of kulaks (rich peasants), peasants slaughter their animals, widespread famine (the biggest in Ukraine – ca. 3 million victims – estimates vary hugely, however), additionally increased by grain exports, financing imports of investment equipment
- grain delivery requirements calculated on „biological yield” – about 40% higher than real quantity
- repressions against „bourgeoisie specialists” (educated people employed in industry, suspected of conspiracy – effect of paranoid social relations due to secret police influences)
- ”Five-Year Plan in four years”, upward revisionism
- main projects (the most gigantic): White Sea Canal, Dneproges hydroelectric plant, Magnitogorsk metallurgical complex
- great migrations to cities from countryside
- decreasing level of living, work discipline kept by coercion and harsh legislation (1930-1932, reintroduction of internal passports for rural population to prevent them from migration - 1932)
- 2 five-year plans (1933-1937 – assumed technical progress in industry & agriculture, 1938-1942 - assumed rise of production of consumer goods & food but interrupted by the war – paradox of famine after 1945 victory)
- in reality constant failures of collectivized agriculture & fast progress of industrialization during extreme crisis in capitalist world – the latter as source of interest in Soviet experience in the West
- Centralization of decision-making process in State Planning Commission (Gosplan), planning methodology from 1928 based on “material balances” – calculation of inputs, without taking money and financial indices into account; minimization of lower levels’ autonomy, complexity of hierarchies strengthened by nominal federal structure of the Soviet Union
- mass mobilization in the conditions of extreme terror, Stakhanovite movement (1935)
- transmission of central planning patterns after World War II to Central & Eastern Europe as result of the Yalta Treaty

1. World War II and its first phase

- Germany attacks Poland on September 1, 1939; easy success thanks to *Blitzkrieg* strategy implying decisive role of motor and aircraft industries in supporting war effort
- Western allies unprepared for the war, later shift towards militarization implying later technological superiority in arms-race
- material & financial resources of conquered country as basis for balancing German economy (Poland first, although *Anschluss* of Austria (March 1938) and disruption of Czechoslovakia (March 1939) also had similar effects)
- Soviet Union as source of necessary German imports (October 1939 – June 1941)
- conquest of France (June 1940) - height of German military & economic power
- Battle of Britain as end of German superiority in air forces
- successful submarine warfare against British Navy & commercial fleet just after outbreak of war – risk of cutting off British supplies
- attack on Soviet Union (June 22, 1941) – despite huge initial advances, too large country for *Blitzkrieg* – mass mobilization, enormous losses in matériel & human lives, unprecedented war crimes, mostly due to ideological conditions

2. Economic aspects of World War II. Economic policy of the Axis states at home and in the occupied countries

- Germany: exploitative policies on conquered territories as main source of budget income – no need for internal debt, almost no inflation (hidden or visible), change of situation as late as in 1944 (despite declaring total war in 1943) – hence strong internal support for the war for most of its time
- German import deficit paid by Reichsbank credits to the central banks of occupied territories, further being the basis for their money issuance – strong inflation in occupied areas combined with shortages of basic consumption goods
- breakdown of industrial production in late 1944 thanks to good system of supplies, use of newly invented substitutes of primary inputs (synthetic gasoline & rubber) and despite raids of allied air forces since 1943 (Hamburg)
- ministry for armaments and munitions (since 1943 for armaments and war production) – Fritz Todt (1940-1942), since 1942 Albert Speer – main coordinator of German war effort (at the expense of Göring's influence), parallelly rising power

of economic empire of SS, ruled by Himmler (extensive use of slave labour); symbiosis between state war machine & great monopolies

- besides slave labour from concentration camps (part of SS economic empire, autonomous from government policies), large masses of forced labour & prisoners of war employed in German industry & agriculture (peak at ca. 9.5 million persons)
- Italy: military disability, showed with the attack on Greece (Nov. 1940), engaged Germany in Mediterranean & Balkan affairs; in economic terms war appeared to be equally disastrous: British Navy cutting off sea supplies, fall of output associated with rising inflation, food rationing under biological minimum
- Japan: rising industrial production at the cost of occupied Greater East Asia Co-prosperity Sphere supplying inputs; internal consumption maintained in the same way (2 million famine deaths in Vietnam alone); since 1940 state control over private enterprises; creation of Ministry of Munitions in 1943; domination of *zaibatsu* in war industry (hence post-war demonopolization of Japanese economy, similar to that in Germany)

3. Wartime economic policy of Britain

- disposal of reserves of sterling zone countries, allowing for stability of monetary system; post-war indebtedness of UK to sterling zone at ca. GBP 3.5 bn
- economy management: Churchill war cabinet with newly created committees (Food Policy Committee, Economic Policy Committee): reallocation of resources to war industry, employment of women, longer work hours, program of self-sufficiency in agriculture (citizens cultivating vegetables instead of flowers in the home gardens – one of the popular symbols of collective effort), control of supplies, food rationing
- large transfers of population (as also some institutions) from areas endangered by German bombardments
- delayed war preparation and scientific efforts leading to superiority of British equipment in later stages of war
- British demand stimulating economies of dominions and colonies – on the other hand, despite losses in submarine warfare system of convoys allowed for satisfying supply needs without dedicating too much effort to search for input supplements
- great success of domestic economic policy enabled also by large American aid

4. The stages of American aid to the Allies: Cash and Carry, Lend Lease, UNRRA. Shaping of post-war international relations.

- 1940 presidential campaign – neutrality promises despite ships for naval bases swap with the British; FDR's third presidential victory
- Cash & Carry supplies (September 1939) exchanged by Lend-Lease scheme (March 1941, non-cash payments) due to financial exhaustion of UK; later extensions of Lend-Lease to China & Soviet Union (April & September 1941); total value throughout the war USD 49.1 bn (63% British Commonwealth, 22% Soviet Union); only partially offset by allies' supplies to American forces sent abroad (Reverse Lend-Lease, USD 8 bn)
- Atlantic Charter (Aug. 14, 1941) – joint Anglo-American statement underlining the shared values (national self-determination, free-trade, social progress, lack of imperial goals) as basis for post-war international order of nations "living without fear or want" (straight influence of "Four Freedoms" from State of the Union presidential speech, Jan. 6, 1941)
- Japanese attack on Pearl Harbour (Dec. 7, 1941) – end of American neutrality
- military demand and draft – revival of American economy, full use of underutilized capacities, very fast growth of industrial production (in part thanks to application of many technological innovations), end of unemployment, labour shortages offset by women and black workers – improving position of socially underprivileged groups
- Declaration of the United Nations (Jan. 1, 1942) - beginning of creation of new system of international organizations – diplomatic negotiations along with military cooperation
- European countries with big material losses at the end of the war – need for American assistance – United Nations Relief and Rehabilitation Administration established in Washington DC already in 1943 – products of American industry & agriculture, demobilized US Army reserves & equipment, donations of member countries, usually being beneficiaries themselves - USD 3 billion until mid-1947 (Polish share ca. 16%, China 18%, Yugoslavia & Italy – 14% each)
- Besides assistance American credit supplies to former allies (50% of imports in 1946), as also former enemies; credits for repayment of Lend-Lease debts to France & UK

5. War economy of the USA

- war effort in industry coordinated by War Production Board (1942), subordinated with other defence agencies in 1943 to Office of War Mobilization (James Byrnes)
- great success (industrial output growing yearly by 15%, rising capacities of technologically most advanced industry, GDP more than doubled from 1940 to 1945)
- modernization also in transport (improved infrastructure) & agriculture (rise of demand after decade of depression, mechanization enhanced by conscription of labour surplus)
- internal demand kept under control in part thanks to big tax increases - Federal government income increased six times in 1939-1944 period, although government spending grew even faster
- Office of Price Administration (1941) – successful control of inflation during war years (opposite situation to World War I); General Maximum Price Regulation (April 1942) – upper limits for most of prices; additional influence of goods rationing – coupons & tickets additionally needed for purchases, not only money; after abolition of most of restrictions (1946) – surge in prices (effect of postponed demand of consumer savings)
- Office of Scientific Research and Development – fast technological progress in armaments (post-war spillovers to civilian industries); Manhattan Project – creation of atomic bomb

6. War economy of the Soviet Union

- theoretically no need of introducing elements of central planning - Soviet economy was always resembling war economy; in fact coordination of war effort subordinated to State Defence Committee headed personally by Stalin, not to Gosplan
- large territorial & industrial losses due to 1941 German offensive (Donbas, Ukraine; Leningrad cut off from rest of the country) – the need of industry evacuation towards Ural and other safe regions (total figures – ca. 17 million civilians, 1500 big industrial plants), as result sharp decrease of industrial production in 1942, partially offset by inflow of Lend-Lease aid
- industrial revival in 1943 (regaining of capacities in evacuated plants, technological progress – f. ex. welding instead of riveting in tank construction, economies of scale thanks to specialization – f. ex. cars supplied by USA, not domestic industry)

- war effort at the expense of domestic consumption, hence local famines as late as in 1946
- population losses still impossible to calculate precisely - ca. 15 million dead soldiers (including 5 million prisoners of war, mostly starved to death by Germans), ca. 10 million dead civilians (malnutrition, diseases but mostly due to exterminatory policies of *Generalplan Ost*)
- end of the war: fine military industry combined with backward agriculture and underinvested consumer goods industry; reparations in kind at former German lands – low modernization effect (most of industrial equipment sent eastwards as scrap)

7. Economic consequences of World War II

- technological progress (especially in the USA) resulting with some delay also in rising productivity of civilian industries
- rising position of colonies in relation of metropolises – precondition for post-war independence; industrialization of previous suppliers of primary products – case of Latin America (process analogous to that from World War I, precondition for post-war protectionist policies)
- damage to industrial potential of Central Europe greater than in the western part of the continent
- general bad situation of European economies due to wartime losses – dependence from American aid, great reconstruction needs (on the other hand being sources of fast growth in the following period)
- creation of bipolar world with great powers competing also in economy – superiority of economic system as one of leading issues of Cold War

8. Demographic and social consequences of World War II.

- total number of victims – 50 million people (5 times losses of World War I – in part due to war crimes on civilians, much more common than during World War I); 80% of deaths in European war theatre, 26 million in Soviet Union alone; largest percentage of deaths in relation to pre-war population – Poland (21%)
- extermination of European Jews – ca. 6 million victims
- large number of wounded and disabled (exceeding usually number of dead) – problem for post-war social policies; additionally large post-war disproportion between men and women in the societies most affected by the war
- post-war demographic booms due to delayed fertility

Lecture 11

1. World business cycle after World War II

- universal adoption of Keynesian economic policies in the Western countries (government spending steering the aggregate demand and indirectly output & employment; additional outlays financed by government debt, usually bought by central bank and being basis for money issuance – bond purchases by public were increasing total savings and creating no additional demand); quantitative proof for Keynesian theory – work of Simon Kuznets
- Keynesian policy then justified by Phillips curve (constant negative relation between unemployment & inflation – rise in employment was to be easily bought for slight increase of price level)
- low unemployment as main target of economic policy (1946 - Employment Act in USA), combined with social regulations resulting in creation of Welfare State (Beveridge Plan in Britain, pre-war regulations in Sweden, Christian democracies as right-wing bases of welfare states in countries of relatively weaker social-democratic parties; large economic programs in the USA – Fair Deal and Harry Truman, Great Society and Lyndon Johnson - 1964)
- sound economic growth in most of developed countries associated with relative price stability until 1973 (at least until 1967)
- post-war depression relatively small in USA; fast growth in continental Europe under reconstruction; low pace of growth and of abolishing wartime regulations in Britain; USA recessions in 1954 (end of Korean War) and 1958 (the biggest before 1973) – very short

2. Bretton Woods system and its fall

- need of setting rules for new international monetary relations
- conference held in July 1944 in Bretton Woods, NH, attended by 44 members of anti-fascist coalition, Poland represented by London government delegate Leon Grosfeld
- 2 competing views: British (John Maynard Keynes) – "bancor", interbank currency unit covered by central banks' gold reserves, large scale of international lender of last resort clearing union, USD 25-40 billion; American (Harry D. White) – no need for monetary integration, small-scale international lender of last

resort USD 2-5 billion – Congress would not approve the size of necessary American contribution in British version

- American prevalence reflecting power relations among western allies; clearing integration reflected in the regional form of European Payments Union (acting from July 1950 until the end of 1958 with the agency of Bank for International Settlements)
- creation of International Monetary Fund (USD 6.8 bn of initial capital) & International Bank for Reconstruction and Development
- IMF members setting gold parities of their currencies and obliged to keep their exchange rates in +/- 1% band around parity; Fund subscription in gold, dollars and partially in members' own currencies; IMF assistance focused on monetary & exchange rate stability, IBRD on long-term economic goals
- 1947 - unilateral declaration by president Harry Truman – USA could convert every amount of dollars into gold ("dollar as good as gold") – in fact change of rules, since then every country focused on exchange rate against dollar, especially that most of the currencies were inconvertible (dollar instead of bancor, system resembling Gold Exchange Standard)
- during the most intense phase of Cold War communist countries abandon their membership in IMF (Poland, Czechoslovakia)
- issue of post-war currency stabilizations: most European countries occupied by Germans during the war, hence huge inflationary potential of German occupation monetary policies; countries not occupied but participating in war - usually inflationary heritage of financing war effort (East European German allies, Soviet Union)
- as a solution introduction of new monetary units, associated with denomination and upper limit for single person of allowable exchange of old money into the new, sometimes different regulations concerning firms – usually higher limits; the most successful – German occupation zones of Western allies (Trizonia), June 1948, Ludwig Erhard; the worst negligence – Hungarian hyperinflation – greatest ever (B-pengő – new monetary unit during inflation = 1000 bn of ordinary pengő; Dec. 1946 conversion rate: 1 forint per 2 million B-pengő = 1 forint per 2 x (1 000 000)³ pengő)

- in most Western countries surpluses above limits blocked in banks on special accounts for specified time, in states belonging to Soviet zone usually inconvertible (new money as medium of egalitarian policy)
 - UK: war winner does not need to introduce new currency unit; instead long-time keeping of wartime economic regulations, f. ex. food rationing - post-war austerity
 - European currencies inconvertible until 1958, European Payments Union (multilateral clearing agreement) acting via Bank for International Settlements enables the growth of intra-European trade in the years 1950-1958; multilateral settlement facilitated then in the framework of European Monetary Agreement (1959-1972)
 - during 1950's Bretton Woods system as source of currency stabilization
 - since 1961 (creation of London Gold Pool – agreement of USA and 7 European countries focused on stabilizing the price of gold), serious problems of the system – dollar overvalued in gold terms (still parity of USD 35 per troy ounce), situation worsened by inflationary pressures during 1960's (de Gaulle's critique of currency relations, France converting large quantities of dollars into gold from Fort Knox), collapse of Gold Pool in March 1968
 - 1967 – IMF creates Special Drawing Rights (SDR) as interbank unit – something resembling bancor proposed by Keynes in Bretton Woods;
 - December 1971 – dollar devaluation, Smithsonian Agreement changing IMF rules (wider fluctuation band)
 - 1972 Basel agreement of European states (“snake” of narrower band of mutual currency fluctuations),
 - 1974 – floating (currencies of IMF countries allowed to fluctuate without constraints), 1976 – demonetization of gold at IMF conference in Kingston;
 - 1979 – European Economic Community members create European Monetary System instead of snake with European Currency Unit (constructed as weighted basket of European currencies) as settlement unit – beginnings of real European monetary integration (Werner Plan of 1970 was abandoned already in 1971)
3. Other international organizations
- United Nations and system of affiliated organizations: United Nations Conference on Trade and Development (UNCTAD - 1964), Food and Agriculture Organization, regional economic commissions (among them Economic Commission for Latin America – Raúl Prebisch, later secretary general of

UNCTAD, creator of dependency theory, being base for import-substitution trade policies in developing countries - 1950); all UN system: significance lower than expected

- failure to create International Trade Organization (dispute between USA & UK), instead creation of General Agreement on Tariffs & Trade (GATT, Geneva 1947, 23 members at the beginning) – successful thanks to long-lasting rounds of multilateral negotiations (more & more complicated due to rising number of GATT members)
 - initially high tariffs inherited from Great Depression being GATT's main focus as most significant barriers to trade; from 1970's along with tariff decreases - more problems with non-tariff barriers (f. ex. quotas, voluntary export restraints, detailed internal market regulations) & fair competition (labour standards, intellectual property rights) than with tariffs
 - USA as main power on GATT forum; in 1960's common trade policy of European Economic Community makes Europe the most important player
 - industrial goods subject to faster liberalization, while agricultural products subject to constant protectionism – farmer lobbies from rich countries, Common Agricultural Policy of EEC (later EU); some liberalization at the end of Uruguay Round
 - GATT rounds: Geneva (1947), Annecy (1949 – the shortest – 5 months but only 13 countries participating), Torquay (1951), Geneva II (1955-1956), Dillon (1961-1962), Kennedy (1963-1967), Tokyo (1973-1979), Uruguay (1986-1993)
 - GATT finally transformed into World Trade Organization (WTO) in 1995 as a result of Uruguay Round
 - WTO being now during Doha Round, started in November 2001
4. **The Oil Shocks and their consequences. The monetarist turn in the economic policy. Sovereign debt crisis in the 1980's**
- October 1973 – OPEC (Organization of Petroleum Exporting Countries, established 1960) introduces sanctions against Israel supporters during Yom Kippur war, rapid surge of oil prices
 - supply shock for developed economies, phenomena of stagflation (economic stagnation accompanied by inflation) and slumpflation (GDP decrease & inflation), Phillips curve questioned – end of Keynesian paradigm in economics & economic policy – search for new one – monetarist doctrine as solution

- monetarist turn in economic policy – 1979 – Margaret Thatcher as prime minister in UK, Paul Volcker as Fed chairman in USA
- 1981 – Republican administration of Ronald Reagan – supply side economics, continuation of Volcker’s anti-inflationary policy (1982 recession as result)
- second oil shock – 1979-1981 – reaction to Islamic revolution in Iran, Soviet intervention in Afghanistan & Iran-Iraq military conflict
- falling oil prices in 1980’s – effect of American-Saudi cooperation & exploitation of North Sea deposits by UK & Norway
- inflow of petrodollars to European & American banks in 1970’s – big credits to communist & developing countries – debt crisis in 1982, more than USD 800 billion of developing countries debt in mid-1980’s, average cost of debt service exceeding 20% of export income of given country
- solutions to international debt crisis: Baker Plan (1985) – did not work; Brady Plan (1988 - conversion of debts to so-called Brady bonds, possibility of debt-stock & debt-national currency swaps and other non-conventional forms of settling debt payments – high flexibility)
- attempts of international coordination of exchange-rate policies as response to instability of flexible exchange rates - Plaza Accord 1985; exchange rate targets abandoned in 1990’s due to popularity of inflation targeting (UK, Canada) & monetary integration in Eurozone

5. World business cycle after the end of Cold War

- 1991-1992 – recession sparked by Saddam Hussein conquest of Kuwait in 1990 and First Gulf War in 1991 (oil shock as main channel, but also reconversion of military industry – the inflow of military technologies to civilian sector, the basis for good business climate until the end of the decade – special progress noted in information and communications technologies – ICT, “death of the distance”, Internet)
- 1991 recession especially painful for Japan - world industrial leader during 1980’s: collapse of strongly overvalued stock market and real estate prices triggers long-time depression combined with deflation (GDP growth close to 0% or below 2% for 2 next decades)
- stability of developed core of world economy in 1990’s, associated with peripheral character of crises: December 1994 – February 1995 – Mexico (big IMF package); 1997 – Czech Republic in May; Thailand, Philippines, Hong Kong, Malaysia,

- South Korea in autumn and winter – so-called Asian crisis, hardest hit country – Indonesia – fall of the Suharto dictatorship in 1998; very costly and restrictive IMF interventions; August 1998 – Russia (negative influence on region's countries – recessions in Ukraine and Lithuania; big IMF package partially channelled by Russian officials abroad); rising distrust of emerging markets leading to problems of Latin American countries – devaluation of real in Brasil, fixed exchange rate of Argentinian peso in the currency board monetary regime
- spring 2000 – Internet bubble bursts on Nasdaq and NYSE, worldwide recession prevented by quick response of central banks, led by Alan Greenspan's Fed
 - 2001 9/11 attacks in New York induce further rate cuts by central bankers (precondition for future asset price bubble); December 2001 – insolvency of Argentinian economy – currency board collapse (constant imbalance of trade flows due to impossibility of devaluing currency, tied to USD) – hard hit for foreign creditors

Lecture 12

1. Marshall Plan

- Yalta conference (Feb. 4-11, 1945) – declaration of assistance to every country occupied by Axis states and their satellites
- Future of Germany as deindustrialized rural country – Morgenthau Plan – abandoned
- Potsdam conference (July-Aug. 1945) – occupation policy in Germany (denazification, demilitarization, decartelization, political decentralization and democratization), Council of Ministers for preparation of peace treaties (managed to deal only with European German allies)
- George Marshall speech at Harvard (June 1947) – program of economic assistance to whole Europe in order to accelerate recovery and growth of standard of living (speech held simultaneously with the end of UNRRA assistance)
- July 1947 – Soviet-zone countries give up the American offer, beginning of the Cold War
- April 1948 – inauguration of Marshall Plan (official name: European Recovery Program), administered by Organization for European Economic Cooperation (OEEC, 16 members), until 1952 USD 13.6 billion of assistance under the scheme

(main recipients: UK, France, Italy, West Germany); July 1950 – OEEC members form European Payments Union; 1949 – Dodge Line for Japan

- Jan. 1949 – Soviet-zone states set up Council for Mutual Economic Cooperation (Comecon)

2. European models of the welfare state

- welfare state – supporting well-being of citizens by creation of equal opportunities, redistributive policies and guarantees of minimal income for the poorest, also providing education, healthcare social security and policies fostering full employment; still keeping to market economic system, perceived as the opposition to laissez-faire state
- Britain – Beveridge Plan of Labour Party introduced after the war (Clement Attlee as prime minister in result of 1945 parliamentary elections); social regulation associated with nationalization of part of financial sector and industry (to be later partially reprivatized by Tory governments); introduction of elements of state planning to industrial policies; keeping to many wartime restrictions slowed the pace of reconstruction, especially when compared to other Western European countries; in later decades often conflicts of governments with radicalizing trade-unions
- Sweden – welfare state constructed already in pre-war period by Social Democratic Party, dominating Swedish political scene since 1930's; state assistance to citizens common on all stages of life - “from the cradle to the grave”; cooperation between trade-unions, government and big business
- Federal Republic of Germany – social market economy – designed by ordoliberals and introduced by right-wing CDU; relatively limited role of government; corporatist practices at industry and enterprise level (cooperation of trade-unions in management and wage bargaining)
- France – state planning in industrial policy of IV Republic (Monnet Plan 1947-1952), relatively low growth of real personal income despite quick reconstruction, lack of strong social democracy due to radicalism of French left, with leading position of communists; continuation of dirigisme in industrial policy of the V Republic (since 1958); social policy focused on diminishing the influence of conflict-seeking communist trade-unions (CGT) and communist party – fast growth of consumption in 1960's

3. The beginnings of European Integration. The creation of the EEC. EFTA.

- May 1950 - initiative of cross-border coordination of coal & steel industries – Jean Monnet (1888-1979), author of French successful system of national planning (1947), commissioner-general of National Planning Board; Robert Schuman (1886-1963) – French foreign affairs minister; whole design was called Schuman Plan; project viewed as instrument of avoiding future Franco-German conflicts thanks to control over German heavy industry
 - 1951, April 18 – France, Federal Republic of Germany, Italy & 3 Benelux countries sign treaty establishing European Coal and Steel Community (starts activity in 1952), Monnet – first president of ECSC High Authority; 1954 – almost full abandonment of trade barriers on coal & steel market inside ECSC associated with cartel regulation, price-fixing and allotment of production quotas
 - Competing plans of integration: British (less advanced integration) vs ECSC countries proposals; finally Britain quits
 - 1957, March 25 – Rome Treaties, establishing European Economic Community & Euratom (beginning from Jan. 1, 1958), purpose of EEC: free flow of goods, people & capital
 - free flow of goods – July 1, 1968 – customs union (closer integration than free trade area – additional unification of custom duties at external borders); flow of people – 4 weeks later
 - Jan. 1960 – Britain sets up in Stockholm European Free Trade Association with Sweden, Norway, Denmark, Portugal, Austria & Switzerland (free trade area, 1961 joined by Finland, 1970 – Iceland)
 - 1960's – British attempts to enter EEC vetoed by de Gaulle; 1962 – start of Common Agricultural Policy benefiting mostly France; 1965-1966 – French obstruction in EEC, called "empty chair policy" – CAP found unsatisfactory
 - 1965 – decision about merger of statutory bodies of 3 communities (executed – 1967)
 - April 1972 - „currency snake” - system allowing for stabilization of EEC exchange rates within +/-1,125% fluctuation band after suspension of USD convertibility into gold
 - July 1972 – free trade area agreement between EEC & EFTA
- 4. Integration processes after 1973**
- 1973 – first enlargement: UK, Ireland, Denmark

- 1979 – EEC members (Britain excepted) create European Monetary System with European Currency Unit (weighted basket of member countries' currencies) & fluctuation band +/-2,25% or +/- 6% (selected members – Italy, later UK & Spain); June 1979 – first elections to European Parliament (previously acting as inter-parliamentary organization)
- 1981 – 2nd enlargement: Greece
- 1986 – 3rd enlargement: Spain, Portugal; Single European Act (introduced in 1987) sets date of creation of Single European Market at 1992
- 1990 – creation of European Bank for Reconstruction and Development, Schengen Convention
- 1992 – signing of Maastricht Treaty creating European Union (from Nov. 1, 1993);
- 1992-1993 – speculative attacks on EMS – August 1993 exchange rate fluctuations band widened (+/- 15%) – situation close to floating
- 1994 – creation of European Monetary Institute in Frankfurt (predecessor of European Central Bank, established in June 1998); creation of European Economic area between EU & EFTA countries (except Switzerland)
- 1995 – fourth enlargement: Austria, Sweden, Finland; fourth country: Norway - did not enter because of negative referendum outcome (the same situation as in 1973)
- 1997 – Amsterdam Treaty, changing existing treaties beginning from May 1999
- Jan. 1999 – introduction of euro (non-cash payments), exchanging ECU (1:1 parity), 11 countries, Greece joined in 2001 on the basis of fake economic data
- Jan. 2002 – euro notes & coins in circulation; ECSC absorbed by EEC
- May 2004 – 5th enlargement – Poland, Czech Republic, Slovakia, Hungary, Slovenia, Lithuania, Latvia, Estonia, Cyprus, Malta
- Jan. 2007 – 6th enlargement – Romania, Bulgaria

Lecture 13

1. Soviet economy and policy in the years 1945-1991

- Soviet zone of influence created at the basis of Yalta agreements, period of 1945-1948 dedicated to eradication of opposition in dependent countries (salami tactics), failed attempts of gaining influence in Greece, Turkey & Iran

- May 1947 - communist parties excluded from coalition governments in France & Italy, Hungarian prime minister blackmailed by communists seeks refuge in Switzerland
- September 1947 – Szklarska Poręba conference, creation of Information Bureau of Communist and Workers’ Parties (Cominform), ideological unity in the communist movement
- February 1948 – communist coup in Czechoslovakia – end of unification of power process
- June 1948 – Yugoslav-Soviet conflict, Tito keeps his power, since then balanced Yugoslav foreign policy, separate economic model (self-managing and self-financing enterprises, being formally nationalized)
- Aug. 1948 - death of Zhdanov, place for future purges of Leningrad activists (among them most of economic policymakers), Aug. 1949 – Soviet Union becomes nuclear power; since 1950 – new wave of military investments in Soviet industry (Korean war)
- Sovietization of economies in other countries (central planning, primacy of heavy industry, collectivization of agriculture), no specialization inside the bloc - all countries build steel mills, etc.; large migrations from the countryside; underurbanization and weak infrastructure; Soviet Union as main trading partner of every country in its zone of influence; much higher share of investment in national income than in the case of Western countries – armaments programs and industrial facilities at the cost of consumption before 1956;
- Oct. 1, 1949 – creation of People’s Republic of China – too big a country to be fully subordinated to Moscow; Oct. 7, 1949 – creation of German Democratic Republic as response to FRG (Sept. 21, 1949)
- March 5, 1953 – Stalin’s death, followed by June worker’s revolt in East Berlin, July armistice in Korean war & final victory of Khrushchev in struggle for power in Moscow
- May 14, 1955 – creation of Warsaw Pact as response to FRG membership in NATO; improvement of relations with the West on other fields (evacuation of Austria)
- February 1956 – 20th Congress of Communist Party of Soviet Union, Khrushchev’s condemnation of Stalinism

- Khrushchev reforms in USSR (besides political liberalizations) – decentralization (greater autonomy of regions), structural preferences for most advanced technologies with relative negligence of heavy industry; thanks to gradual détente in international relations pro-consumption shift in USSR and Comecon countries after 1953; reduction of asymmetry in relations of USSR with Soviet Bloc countries; recurrence of accelerated industrialization from 1959; failures in agricultural policies (turning large wastelands into arable land; promotion of corn) resulting in Soviet dependence from grain purchases in USA and Canada (from 1963)
- after Khrushchev's fall in 1964, new reforms started by Brezhnev & Kosygin in 1965 – economic calculation at enterprise & industry level, material bonuses for workers, vertical concentration of industry; structural preferences for heavy industry; partial abandonment of reforms in 1969
- stagnation in USSR in 1970's, no reform attempts, increased costs of arms race since ca. 1975; gerontocracy, corruption
- Brezhnev's death in 1982, temporary reforms of new party secretary Yuri Andropov (1982-1984), after his death brief rule of conservative Konstantin Chernenko (1984-1985) – so-called epoch of three funerals
- change with the election of Mikhail Gorbachev as party secretary in 1985; quick reforms since 1985 – perestroika (reconstruction) in economy and state administration - without successes, one of the causes of Soviet Union's decomposition in 1991
- dissolution of USSR in December on the basis of decision of leaders of 3 most important among 15 republics (in fact 12 – Baltic states previously unilaterally left Union) – Russia (Boris Yeltsin), Ukraine (Leonid Kravchuk), Belarus (Stanislau Shushkevich) – proof of political chaos in the country during its last days

2. Economies and policies of the European communist states after 1956. The activity of Comecon.

- different reactions to gradual destalinization in Soviet Union in different countries of Eastern Bloc
- March 1956 – Bolesław Bierut dies in Moscow
- April 1956 – Stalinist Bulgarian leader Vylko Chervenkov deposed from prime minister office by party's general secretary Todor Zhivkov

- October 1956 – Gomulka back to power in Poland; revolution in Hungary suppressed by Soviets in November; system virtually untouched especially in Albania – 1961 breakout from Soviet bloc and tying to Maoist China; Poland - the most advanced country in economic reforms
- 1956 – reactivation of Comecon (multilateral economic cooperation instead of bilateral, implying asymmetrical relations with Soviet Union)
- Series of economic reforms in Soviet Bloc countries in 1960's: GDR – New Economic System (1963) – less quantitative plan targets, greater autonomy at industry level (activity of "socialist managers") associated with concentration ("socialist concerns"), relatively strong small private sector
- Romania – no reforms; Bulgaria – industry modernization, no significant institutional changes
- Hungary – after 1956 and Soviet military intervention, more favourable conditions of economic relations with USSR (exchange rate adjustment, revision of conditions of uranium export), pro-supply changes at internal market (faster growth of consumer goods production, abolishment of compulsory deliveries in agriculture), temporary character of some of reforms – agriculture finally was collectivized; 1968 – New Economic Mechanism, no quantitative plan targets, banking system verifying investment decisions, partial price liberalization, state monopoly limited to foreign trade and control over part of wages & prices – the most advanced reform in Soviet zone till 1989, although authorities partially withdrew from it after 1972 - divergence of individual incomes (market sector employment allowed for higher earnings), return to reforms after 1978; 1982 – IMF membership
- Czechoslovakia – Ota Šik's reforms (New Economic Model) since 1967 – more mixed economy, decentralization, rising position of managers in enterprises, enterprise assessment by means of production-factors efficiency, adjustments of price structure and rules determining it, partial opening to the West (tourism) – after Šik's promotion to deputy prime minister rank in April 1968 reorientation of economic system, finally prevented by Warsaw Pact military intervention in August 1968
- imitation of Western welfare states in 1970's, in part thanks to Western credits – socialist countries as victims of debt crisis in 1980's: most indebted – Poland, also Hungary (highest debt per capita), GDR, partially Czechoslovakia; Romania – managed to repay most of debts in 1980's at cost of standard of living; most bizarre

policy among communist countries in 1980's, hence bloody character of communism fall in that country

- dysfunction of Comecon in 1970's despite widely promoted Bucharest Program of 1971 (mostly due to lack of convertible currencies and inflexibility of centrally planned economies in external relations)
- 1980's - lack of reforms in GDR & Czechoslovakia but relatively best performance of the system (besides Hungary) until 1989, stagnation & corruption in Bulgaria; widespread poverty in Romania due to foreign debt repayments and megalomania of investment projects introduced at that time by Nicolae Ceaucescu (hence bloody end of Romanian communism and Ceaucescu himself)

Lecture 14

1. Japan and the newly industrialized countries of the Pacific.

- reconstruction after the war according the advices of 1949 Dodge Line (anti-monopolist policies – division of *zaibatsu* and creation of more numerous *keiretsu* holdings, having much less political influences; keeping undervalued exchange rate – pro-export policies); land reform in agriculture – full ownership instead tenancy for farmers – step towards more egalitarian social structure; economic development induced by being hinterland and supply source for US Army during Korean War (1950-1953); regaining of pre-war industrial output in 1952, from that point uninterrupted high pace of economic growth until 1973
- initially international competitiveness thanks to cheapness of Japanese products (light industry), later development of more technically advanced industrial branches; focus on miniaturization (traditional way of saving on inputs in natural resource-scarce country) and cooperation between concerns and its suppliers (perfection of just-in-time system of supplies – saving on cost of keeping inventories and financing them with borrowed capital)
- political stability thanks to almost continuous rule of Liberal-Democratic Party (LDP)
- Summer Olympics in 1964 in Tokyo – symbol of Japanese enter into the club of most developed countries; fast growth of consumption (government's Income Doubling Plan – 1960) accompanied by very fast growth of GDP (over 10% annually)

- industrial concerns under big influence of MITI – Ministry of Trade and Industry - 1959 New Industrial Policy – concentration on high quality products; followed by series of very adequate strategic decisions of Japanese concerns (durable consumer goods production, especially electronics, microprocessors, etc.); creation of the most modern steel industry in 1960's (partially due to lack of the burden from pre-war period because of American war bombardments) – spillovers to shipbuilding and car industry;
- 1970's and 1980's - creation of global brands in consumer electronics (Sony, Sanyo, Hitachi, Panasonic), car and motorcycle industry (Toyota, Nissan-Honda, Yamaha), photographic industry (Canon, Olympus), outsourcing of less technologically advanced production to other East Asian countries (Taiwan, Singapore, Hong Kong – beginning of first wave of Asian tigers)
- fast development stopped by Oil Shock of 1973 (Japan was completely lacking natural resources; outcome – relying on nuclear power in energy generation); growth recurred and 1980's were a period of American fear of being surpassed and bough-out by Japan and its businesses
- early 1990's bursting of asset-price bubble (Nikkei stock-exchange index exceeding 40000 points, currently around 8000); large Japanese banks left with bad assets in their balances – structural problem, partially resolved by Japanese governments despite interventions in late 1990's; attempts of reviving the economy by public spending on large construction projects (especially on infrastructure led to overrepresentation of industry in GDP structure and amassing huge public debt (over 200% of GDP – the largest level of the index among developed countries); gradual growth of unemployment, previously unrecorded in a country with traditions of “job-for-life” employment
- big economic success reflected in high GDP and very high life expectancy – source of future problems one of the most rapidly ageing societies in the 21st century (partially due to very low fertility of young generation)
- Asian tigers – usually ruled by autocratic regimes pursuing export-oriented industrialization, exception – Hong Kong (British colony until 1997, when transferred to China); in general following Japanese developmental path, with adjustments to their local specificity; economic success was followed by political democratization

- Taiwan (domestic name: Republic of China) – Chiang Kai-shek nationalist government of Kuomintang party escapes from continental China in 1949; temporary situation turns to constant; Taiwan until 1970's representing China in United Nations; initially corrupt regime, transformed with American aid into efficient state, successful in fighting poverty (widespread as late as in 1960's); traditional for the region sequence of specialisations from light industry to consumer durables, steel, petrochemicals and IT in less than 30 years (late 1970's as period of losing cheap-labour competitive edge); due to lack of energy resources, switch to nuclear power in energy sector in 1980's; exports traditionally addressed to an American consumer, later developed trade with Europe; despite lack of diplomatic relations with continental China, still rising scale of Taiwanese investments on the mainland
- South Korea – industrial development initiated by regime of general Park Chung Hee, ruling the country in 1961-1979; since 1968 state-led intensive industrialization, associated with development of steel mills (POSCO), shipyards (in 1990's South Korea took from Japan world leadership in shipbuilding) and chemical industry; additionally development of consumer durables industry and electronic industry; very high share of investment in GDP; industry controlled by large family conglomerates (*chaebol*) of very complicated structure, including financial branch; financial crises of 1982 and 1997 were associated with fall of many highly-leveraged *chaebol* (1999 fall of Daewoo impacted also Poland, where it conducted large investments in car industry and consumer electronics); despite these problems country managed to develop very competitive industrial base and high-tech based education system (assessed as most advanced in the world and with the highest share of students in respectful generation). South Korean products (LG, Samsung), as late as in 1990's assessed as worse than Japanese, dominated a few leading branches of consumer electronics and IT
- Singapore – after separation from Malaysia in 1965, country ruled for long by Lee Kuan Yew (1923 -), prime minister in 1959-1990; later holding minister posts specially designed for him, leading ideologist of Asiatic values in political life and economic development; extremely stable political regime associated with the rule of (quite restrictive) law; because of the location on main trading routes in Asia, very high internationalization of the economy, possessing besides competitive maritime and financial services, very developed industrial sector

2. Decolonization and economic problems of the Third World. Mechanism of the poverty equilibrium.

- first phase associated mostly with impact of Japanese conquest in East Asia (limited ability to re-establish European rule, increased role of local populations in military effort during the war) as also with pre-war constitutional reforms in some of colonies (India, Burma, Ceylon)
- 1947 - decolonization of British Indian territories, creation of India & Pakistan, no insurgency against colonial power but communal violence between Hindus & Muslims
- bloody decolonization of Dutch East Indies (1949 - independent Indonesia) and French Indochina possessions (1946-1954; 1954 – Dien Bien Phu defeat & Geneva Accords - from that time Northern Vietnam supports guerrilla in Southern Vietnam – basis for future American engagement)
- Britain and France leave Middle East, independence of Syria & Lebanon (completed in 1946), creation of Israel from part of British mandate in Palestine (May 14, 1948), beginning of Israeli-Arab conflict & rapid decrease of British influence in the region; 1952 – Nasser coup in Egypt
- Post-war UN jurisdiction over Italian colonies in Africa, recreation of independent Ethiopia
- Bandung conference (April 1955), creation of Non-Aligned Movement (Belgrade 1961 - Sukarno, Tito, Nehru & Nasser)
- Anglo-French failure at Suez (Oct.-Nov., 1956) – acceleration of decolonization
- Third World as the name of decolonized countries (association with 3rd Estate & French Revolution, not with bipolar shape of international relations)
- Insurgency against France in Algeria since 1954 – basis for creation of 5th Republic and gaullism, finally the French gave up (1961)
- Year of Africa – granting independence to 16 African colonies in 1960; civil war in Belgian Congo – first of big conflicts inside newly created states; the bloodiest – Biafra secession from Nigeria (1967-1970) – over 1 million victims
- Communist influences in Third World – dropped in 1965-1967 (overthrows of Ben Bella in Algeria & Nkrumah in Ghana, extermination of Indonesian communists after aborted coup, Israeli victory in 6-day War), then returned in different places (African states & Afghanistan in 1970's)
- Portuguese African possessions (Angola, Mozambique) independent in 1975

- foreign trade structure in Third World mostly inherited from colonial empires (domination of cash crops or mineral resources in exports, usually most of export value concentrated in 2 or 3 items)
- state-led industrialization projects (attempts to overcome lack of domestic capital) – mostly failed (lack of local engineers, low labour quality, corruption, lack of resources to finance necessary investment inputs), theoretical explanation for state activity – not only Marxist, also development theorists (sir Arthur Lewis)
- social inequalities and islands of modernity (prestigious higher education schemes accompanying common illiteracy; urbanized coast and backward interior)
- Gunnar Myrdal (1947-1957 - UN Economic Commission for Europe, 1974 - Nobel Prize) - poverty equilibrium (Malthusian perspective on results of population growth in developing countries – rise of population due to declining mortality consuming any results of weak economic growth – stagnation or even decrease of per capita incomes); currently most of developing countries surviving fertility declines – end of rapid population growth

3. Latin America after 1945

- Import-substitution industrial policies from 1930's to late 1980's
- Ambitious state-led modernization projects in 1960's (Juscelino Kubitschek in Brazil) combined with American program of Alliance for Progress (most of funds transferred illegally to European safe havens) – failure due to bad performance of Latin American products on international markets, burden on state budgets, widespread corruption and often military coups
- Defence expenditures as budget burden during military rule
- in 1980's Latin American countries among the most affected by international debt crisis, common debt defaults and high inflation (sometimes turning into hyperinflation), most countries recorded decreases of GDP per capita throughout decade (exceptions: Brazil, Chile, Colombia)
- Neoliberal economic policies associated with democratization common throughout 1990's inspired by Chilean success of Pinochet dictatorship (especially after 1982): Carlos Menem in Argentina, Brazilian stabilization 1993 & Fernando Cardoso (social democrat) election in 1994
- Negative effects of neoliberal model (or some of its features – at least currency board exchange rate regime) in 2001 Argentina crisis; new wave of populist movements inspired by Venezuelan Chavez regime (since 1999)

- Brazil rise as world power during presidency of left-wing Lula da Silva combined with decrease of social inequalities

4. Stages of economic development of People's Republic of China.

- 1949-1952 – reconstruction of the country after Japanese occupation and civil war against Kuomintang forces; introduction of planning system and beginnings of industrialization with the material and expertise help of Soviet Union
- 1953-1957 – further industrialization in the framework of first 5-year plan (steel mills, coalmines, machine industry); 1953-1956 – collectivization of agriculture, concerning 96% of peasant households; 1956-1957 – temporary political liberalization, accompanying destalinization in USSR (100 Flowers Campaign – 100 flowers symbolizing ideological pluralism); all liberalizers soon sent to work camps, while country returned to industrialization projects designed by Mao Zedong (1893-1976)
- 1957-1961 – Great Leap Forward – accelerated industrialization based on primitive steel mills built in every rural commune – great failure – ineffective technology in economies-of-scale intensive branch; villagers usually melted their own tools in order to meet required quantities of smelted iron – almost immediate widespread famine – 20-30 million of victims; rising conflict with Soviet Union
- 1961-1966 – temporary return to normality, lower influences of Mao in the party leadership
- 1966-1971 – another Mao's campaign – Great Cultural Revolution – addressed against party bureaucracy and intelligentsia, based on high-school pupils and students; followed by anarchy in urban areas and slowing of economic growth; situation controlled only thanks to the power of army unaffected by attack on every social hierarchy; official finish in 1969, but in fact whole period ended in 1971 with death of marshal Lin Biao
- 1971-1976 – relative political instability in Communist Party, accompanied by normalization of relations with the USA (abandoning its support for Taiwan) and entrance to United Nations; foreign trade already dominated by developed western countries (due to previous loosening of ties with Soviet Bloc); import of technologies from Japan and other developed countries
- 1976 – deaths of Mao and long-time prime minister Zhou Enlai (1898-1976), prevalence of moderates with Hua Guofeng (1921-2008) in the party leadership;

Hua's position contested by Deng Xiaoping (1904-1997), one of the prosecuted during Cultural Revolution

- 1978 - Deng's prevalence in party's leadership, from that time economic reforms, allowing de facto for existence of capitalist sector in Chinese economy and inflow of foreign capital to special economic zones (most successful in Shenzhen); decollectivization of agriculture (despite usual lack of formal ownership titles to the agricultural land – rapidly rising agricultural output, ensuring Chinese agricultural self-sufficiency, supported additionally by restrictive one-child demographic policy); from that time average GDP growth exceeding 8% (temporarily over 12%); initially great role of village cooperatives in development of industrial production and trading activity
- 1989 – repression of student protests on Tiananmen Square in Beijing - economic liberalization not followed by political one; Deng Xiaoping removes liberal reformer Zhao Ziyang (1919-2005) from communist party chairmanship
- 1990's – greater role of state sector in industrial development, especially during temporary international ostracism after Tienanmen; increased inflow of foreign capital in the second half of the decade;
- December 2001 – Chinese membership in World Trade Organization – rapid surge of Chinese exports to developed markets and big trade surplus (one of the extraordinary imbalances of world economy in the first decade of 21st century); additionally increased by tying of renminbi to weakening US dollar (further renminbi appreciation not compensating the growth of Chinese productivity); in second half of the decade China becomes the source of capital for other developing countries (mostly African); rising Chinese industrial potential and internal consumption push commodity prices upwards – 2000's as the decade of unprecedented (besides 1970's) growth of primary products prices; first attempts of creating Chinese brands of world renown (Lenovo); suddenly China became the second economy in the world with large middle class and many super-rich capitalists.

Lecture 15

1. Economic history of Poland after 1945. Post-war reconstruction and the 3-year Plan

- country destroyed by the war; additional post-war damage done by Red Army (especially at former German lands – so-called Regained Lands)
- coalition government dominated by communists with participation of Polish Peasant Party (PSL) led by former prime minister of government in exile (London) – Stanisław Mikołajczyk (here as deputy prime minister)
- border movements – special Ministry for the Recovered Territories (Władysław Gomułka, secretary general of communist Polish Workers’ Party)
- Sept. 1944 - land reform – distributing large estates and German estates among peasants with State Land Fund acting as intermediary – not only self-sufficient farmers but also small peasants & landless agricultural labourers; almost no change in average farm size (from 5 to 5.2 ha); thus obtained land-ownership structure badly-suited for normal market-oriented agriculture, better for collectivization; on former German lands – less egalitarian policy based on Sep. 1946 decree – in order to accelerate Polish colonization
- industry – gradually taken from military authorities, almost no private owners – easy nationalization of big industry, Jan. 1946 – nationalization of basic industrial branches & communication on indemnification basis (enterprises hiring over 50 workers for 1 shift)
- finance & banking – money issuance given to newly created National Bank of Poland, instead of Issuing Bank in Poland (set up by Germans in Cracow) & Bank of Poland (pre-war, legally existing in London with government in exile); elimination of banks through license requirements, Oct. 1948 bank reform leaving 6 specialized banks (including NBP), no formal nationalization in banking sector; insurance – 1947 monopolies of PZU (insurance) and Warta (reassurance)
- trade – ”battle for trade” from May 1947 – action against private retailers and independent cooperatives under slogans of fighting speculation & high prices
- economic planning – dominated by Polish Socialist Party (PPS) and its economists, formerly working for London government; Central Planning Office (CUP) created in Nov. 1945, led by Czesław Bobrowski, main author of reconstruction scheme of 3-year Plan (1947-1949), focused on living standards
- counterfeited communist victory in Jan. 1947 parliamentary elections - increased pressure on PSL, after Oct. 1947 Mikołajczyk escape, pressure directly on PPS – Feb. 1948 – “CUP dispute” – communists attack CUP planning – Bobrowski

removed from office, economic policy-making transferred to Hilary Minc, communist minister of industry & trade

- union of PPS & PPR – December 1948, Polish United Workers' Party (PZPR), completely reflecting Soviet patterns, chairman – Bolesław Bierut (President of Poland), elimination of proponents of "Polish way to socialism" led by Gomułka; government led from 1947 by Józef Cyrankiewicz (PPS) – complete autonomy of Minc in economic policy

2. The 6-year Plan

- 1949 - CUP transformed into State Commission for Economic Planning (PKPG) – much wider competences, modelled on Gosplan, led by Minc; preparation of 6-year plan – focused on industrialization, not living standards, additionally restructured in 2nd half of 1950 in order to include more military goals (effect of direct Soviet pressure); economy additionally burdened with supplies of coal to Soviet Union at ca. 10% of world price (1945-1956 estimated cost – over \$ 0.6 bn) – almost no increase of individual consumption despite fast economic growth
- peak of Stalinism – 1952-1954 (new constitution abolished President's office, Bierut combining posts of PZPR's chairman and prime minister)
- since 1954 – copying of Soviet pattern of "collective leadership" – Cyrankiewicz - prime minister again, Bierut – first secretary of PZPR; economic "manoeuvre" in 6-year plan, Minc replaced in PKPG by Eugeniusz Szyr
- collectivization of agriculture – gradual advances (20% of land), similar to other countries (30-40%), spontaneous decollectivization in late 1956, while other states complete collectivization in late 1950's – Poland as the only communist country with individual farms dominating agriculture; since 1952 obligatory deliveries from individual farmers (paid at decreased price) – reaction to fall in agricultural production
- June 1956 – workers' revolt in Poznań – need for deeper reform

3. **The economy in the era of Władysław Gomułka**

- Oct. 1956 – Gomułka back to power as first secretary of PZPR
- decentralization of state management, dissolution of PKPG and creation of Planning Commission at Council of Ministers (Stefan Jędrzychowski), central plan disaggregated at ministry-level, branch-level management by "central authorities" abandoned, voluntary "unions" instead, very soon recreating previous patterns (strength of bureaucratic structures) economic experts grouped at Prime Minister's

Office Economic Council (Oskar Lange, Bobrowski, Edward Lipiński, Michał Kalecki)

- worker councils as participants of management process in enterprises – modelled on Yugoslavian solutions, in 1958 subordinated to Conferences of Workers' Self-management – end of reforms
- 1957 – new agricultural policy – decollectivized agriculture, only individual farmers and big, state-owned farms (PGR), state-owned agricultural infrastructure (intended to enhance voluntary creation of cooperatives – no such thing happened)
- surge in individual consumption 1957-1958, partially thanks to demilitarization, since 1959 – return to fast industrialization but without excesses of 6-year plan
- 1960's – capital-intensive investments in exploitation of natural resources (sulphur, copper, lignite), after 1965 – license imports from the West (sign of technological gap), 1967 – Poland joins GATT as full member (second to Czechoslovakia in the whole bloc); previously observer status since 1960
- 1968-1970 – new reforms introduced by economic secretary of PZPR Bolesław Jaszczuk – pressure on internationalization of economy (response to success of EEC and failure of Comecon), structural preferences for electric, machine and chemical industries ("selective development"), changes in enterprise management focused on linking its economic performance with wages – ended by workers protests in Dec. 1970 and fall of Gomułka

4. Economy under Edward Gierek (1970-1980)

- intensive industrialization (licenses) combined with rising level of living financed by foreign credits, the most important institutional reform – creation of Big Economic Organization (WOG), partially abandoned from 1976 – the "socialist concerns" behaved like classical monopolies; economic policy mostly in the hands of prime minister Piotr Jaroszewicz
- abandoning of obligatory deliveries in agriculture, combined with extension of healthcare system and social security on individual farmers; additional pressure on increasing agricultural output – high prices and subsidised purchases of inputs – very good period for farmers, on macro scale – large government transfers to agriculture (one of the source of foreign indebtedness)
- big investments in state industry led to the peak of share of government sector in national income (over 86% in 1975) and employment

- first crisis in 1976 (workers protests – Radom, Ursus), after that date no significant reforms (“economic manoeuvre” of December 1976 was never fully implemented); additional disorganization of economy by head of Planning Commission, Tadeusz Wrzaszczyk (frequent, contradictory changes of previous decisions – management style effective maybe in the case of sole enterprise)
- 1980 – Gierek’s fall, creation of ”Solidarity”, rule of Stanisław Kania as first secretary of PZPR (1980-1981), reform proposals accompanied by further destabilization of economic situation (Poland de facto insolvent from 1980)

5. The attempts of economic reforms after 1980

- 1981 – martial law introduced by general Wojciech Jaruzelski (combining posts of first secretary of PZPR and prime minister), 1982 – martial law reforms (Commission for Economic Reform led by Władysław Baka and created in 1980 –
 - new status of enterprise – 3S - self-reliability, self-management and self-financing; partial liberalization of prices, partial independence of central bank, creation of preconditions of banking system reform),
- 1985-1988 – Zbigniew Messner as prime minister stops most of reforms, but in 1987 promotes an idea of second stage of reform – indirect admission of incompleteness of previous reforms
- 1988 – Mieczysław F. Rakowski as prime minister rapidly liberalizes system, new rules concerning establishment of new enterprises and the activity of private sector (including foreign capital); bank reform, focused on setting up institutions similar to those of market economy (with clearly defined position of central bank and commercial banks); exchange offices allowed to operate on the basis of new customs law, legalizing trading with foreign currencies by private persons

6. The Balcerowicz Plan and its consequences

- 1989 – non-communist government of Tadeusz Mazowiecki attempting to stabilize economy & create capitalism; Leszek Balcerowicz combining posts of minister of finance and deputy prime minister
- January 1990 – introduction of Balcerowicz Plan - in fact author design of deputy prime minister, helped by some ministry clerks and narrow circle of advisers (Stanisław Gomułka, David Lipton, Jacek Rostowski and Jeffrey Sachs) – end of “real socialism” in economy
- main short-term goal: counteracting inflation (very close to the hyperinflation levels at that time) – even before Plan: so-called compensating indexation, limiting wage

growth in state-owned sector; changes in already outdated state budget, increasing its deficit and income (thanks to fuel and alcohol price hikes); Balcerowicz Plan: fixing exchange rate to the dollar at 9500 zloties/USD (so-called nominal anchor); wage control in state enterprises, not supported by profit-maximizing owners and being basis for strong trade-unions, with often excessive wage demands; setting norms of allowable wage growth combined with tax on super-normative wages, paid by the enterprise; anti-inflationary aspect also of continuation of strategic talks with the international institutions of Western countries concerning economic assistance to Poland and rescheduling of Polish debt; also anti-inflationary goals of limiting budget deficit and the pace of money supply growth during whole 1990

- further liberalization of economy, mostly through deregulation
- structural changes (some more complicated reforms introduced gradually in following years): liquidation of the remnants of central management of the economy, recreation of local governments and municipal property, privatization, rejection of automatic financing of economic operations, tax reform, self-reliability of state-owned enterprises, internal currency convertibility, foreign trade liberalization, demonopolization, creation of real-estate market (although with restriction of foreigners), commercialization of banking and insurance sectors, creation of stock exchange, facilitation of foreign investment and social security for the unemployed; economic liberalization accompanied by institutionalization of anti-monopolist policies
- results – fast development of private sector; recession resulting from the problems of state-owned industry, negatively influenced especially by decomposition of Comecon and resulting from it reorientation of Polish foreign trade, but also by rising foreign competition on domestic market; occurrence of structural unemployment, especially on areas dominated by state-owned agriculture and dependent from heavy industry; the quickest return of Polish to economic growth among all transition countries (growth recorded already in 1992); also the highest total growth after 1990 in whole region; creation of basis for future integration of Poland with EU structures

Selected literature:

- L. Ahmed, *Lords of Finance. 1929, The Great Depression, and the Bankers Who Broke the World.*, Windmill Books, London 2010
- R. C. Allen, *Global Economic History., A Very Short Introduction.*, Oxford University Press, Oxford 2011
- J. Appleby, *The Relentless Revolution. A History of Capitalism.*, W.W. Norton & Company, New York, London 2010
- I. T. Berend, *Central and Eastern Europe, 1944-1993. Detour from the Periphery to the Periphery.*, Cambridge University Press, Cambridge 1996
- I. T. Berend, *An Economic History of Twentieth-century Europe: Economic Regimes from Laissez-faire to Globalization*, Cambridge University Press, Cambridge 2006
- I. T. Berend, *From the Soviet Bloc to the European Union. The Economic and Social Transformation of Central and Eastern Europe since 1973.*, Cambridge University Press, Cambridge 2009
- I. T. Berend, G. Ranki, *The European Periphery and Industrialization 1780-1914*, Cambridge University Press, Cambridge 1982
- W. Bernstein, *A Splendid Exchange. How Trade Shaped the World.*, Atlantic Books, London 2009
- F. Braudel, *The Mediterranean and the Mediterranean World in the Age of Philip II*, London 1975, 2 vol., (latest Polish ed. *Morze Śródziemne i świat śródziemnomorski w epoce Filipa II*, vol. 1, Książka i Wiedza, Warszawa 2004)
- S. N. Broadberry, M. Harrison (eds.), *The Economics of World War I*, Cambridge University Press 2005
- S. Broadberry, K. O'Rourke (ed.), *Cambridge Economic History of Modern Europe*, Cambridge University Press, Cambridge 2010
- R. Cameron, *A Concise Economic History of the World. From the Paleolithic Times to the Present.*, 2nd edition, Oxford University Press, New York, Oxford, 1993 (or later editions)
- C. M. Cipolla, *Before the Industrial Revolution. European Society and Economy, 1000-1700.*, Routledge 2003
- G. Clark, *A Farewell to Alms. A Brief Economic History of the World.*, Princeton University Press, Princeton, Oxford
- F. Dikötter, *Mao's Great Famine.*, Bloomsbury, London 2010
- D. Edgerton, *Britain's War Machine. Weapons, Resources and Experts in the Second World War.*, Allen Lane, London 2011

- B. Eichengreen, *Golden Fetters. The Gold Standard and the Great Depression 1919-1939.*, Oxford University Press, New York, Oxford 1995
- B. Eichengreen, *Globalizing Capital. A History of the International Monetary System.*, Princeton University Press, Princeton 2008
- G. Davies, *A History of Money.*, University of Wales Press, Cardiff 2002
- N. Davies, *God's Playground. A History of Poland in Two Volumes.*, Vol. 1, *The Origins to 1795*, Oxford University Press, Oxford, New York, 2005
- S. R. Epstein, *Freedom and Growth. The rise of states and markets in Europe, 1300-1750*, Routledge, London, New York 2006
- R. Findlay, K. O'Rourke, *Power and Plenty, Trade, War, and the World Economy in the Second Millennium*, Princeton University Press, Princeton and Oxford, 2007
- A. Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*, Cambridge 2006
- J. Hatcher, M. Bailey, *Modelling the Middle Ages. The History & Theory of England's Economic Development.*, Oxford University Press, Oxford, New York 2001
- P. Jachowicz, W. Morawski, *Kronika szczytów G-7/G-8*, Książka i Wiedza, Warszawa 2009
- E. Jones, *The European Miracle. Environments, Economies, and Geopolitics in the History of Europe and Asia.*, Cambridge University Press, Cambridge 2003 (3rd ed.)
- E. Jones, *Growth Recurring. Economic Change in World History.*, University of Michigan Press, Ann Arbor 2000
- J. Kaliński, *Historia gospodarcza XIX i XX w.*, PWE, Warszawa 2004 (and later editions)
- J. Kaliński, *Transformacja gospodarki polskiej w latach 1989-2004*, SGH, Warszawa 2009
- Z. Landau, J. Tomaszewski, *The Polish Economy in the Twentieth Century*, London, Sydney, 1985
- D. S. Landes, *The Wealth and Poverty of Nations. Why Some Are So Rich and Some So Poor.*, W. W. Norton & Company, New York 1999
- H. A. Miskimin, *The Economy of Early Renaissance Europe 1300-1460*, Cambridge 1975
- J. Mokyr, *The Enlightened Economy. Britain and the Industrial Revolution 1700-1850.*, Penguin Books, London 2011
- J. Mokyr, *The Gifts of Athena: Historical Foundations of the Knowledge Economy*, Princeton 2002
- W. Morawski, *Dzieje gospodarcze Polski*, Difin, Warszawa 2011 (2nd ed.)
- W. Morawski, *Kronika kryzysów gospodarczych*, Trio, Warszawa 2003
- W. Morawski, *Zarys powszechnej historii pieniądza i bankowości*, Trio, Warszawa 2002

- D. C. North, *Institutions, Institutional Change and Economic Performance*, Cambridge 1990
- D. C. North, *Structure and Change in Economic History*, W. W. Norton & Company, New York, London 1981
- D. C. North (2005), *Understanding the Process of Economic Change*, Princeton University Press, Princeton, Oxford
- David Ormrod, *The Rise of Commercial Empires. England and the Netherlands in the Age of Mercantilism, 1650-1770.*, Cambridge 2003
- K. Pomeranz, S. Topik, *The World That Trade Created. Society, Culture and the World Economy. 1400 to the Present.*, 2nd ed., M. E. Sharpe, Armonk, NY, London 2006
- E. S. Reinert, *How Rich Countries Got Rich... and Why Poor Countries Stay Poor*, Constable, London 2008
- N. Roubini, S. Mihm, *Crisis Economics. A Crash Course in the Future of Finance*, Penguin Books, London 2011
- P. S. Wandycz, *The Lands of Partitioned Poland, 1795–1918*, 1974, reprinted 1984