

# Public Economics and Economic History

Module III: The development of modern market economy,  
an historical perspective

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## **Modern economic development in historical perspective**

(23/02/2017)



Università Cattaneo

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# Instructor – Module 3

- **Daniele Pozzi** (Ph.D. Bocconi University 2004)
    - Business historian
    - Organisational capabilities
    - Managerial culture
    - Heritage
  - **Contacts**
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    - Torre, 4th floor, Tuesday 15:00-16:30
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# Exam

- Module 3 account for 30% on the finale mark (even if below 18/30)
  - Attending students (3 on 5 lessons)
    - Test at 03/04, h 9.00-11.00
    - See syllabus for readings
  - All others students
    - Written test after the term
    - K.G. Persson, *An Economic History of Europe*, Cambridge: CUP 2010. Chapters 1, 2, 8, 9 and 11 are not required for the exam.
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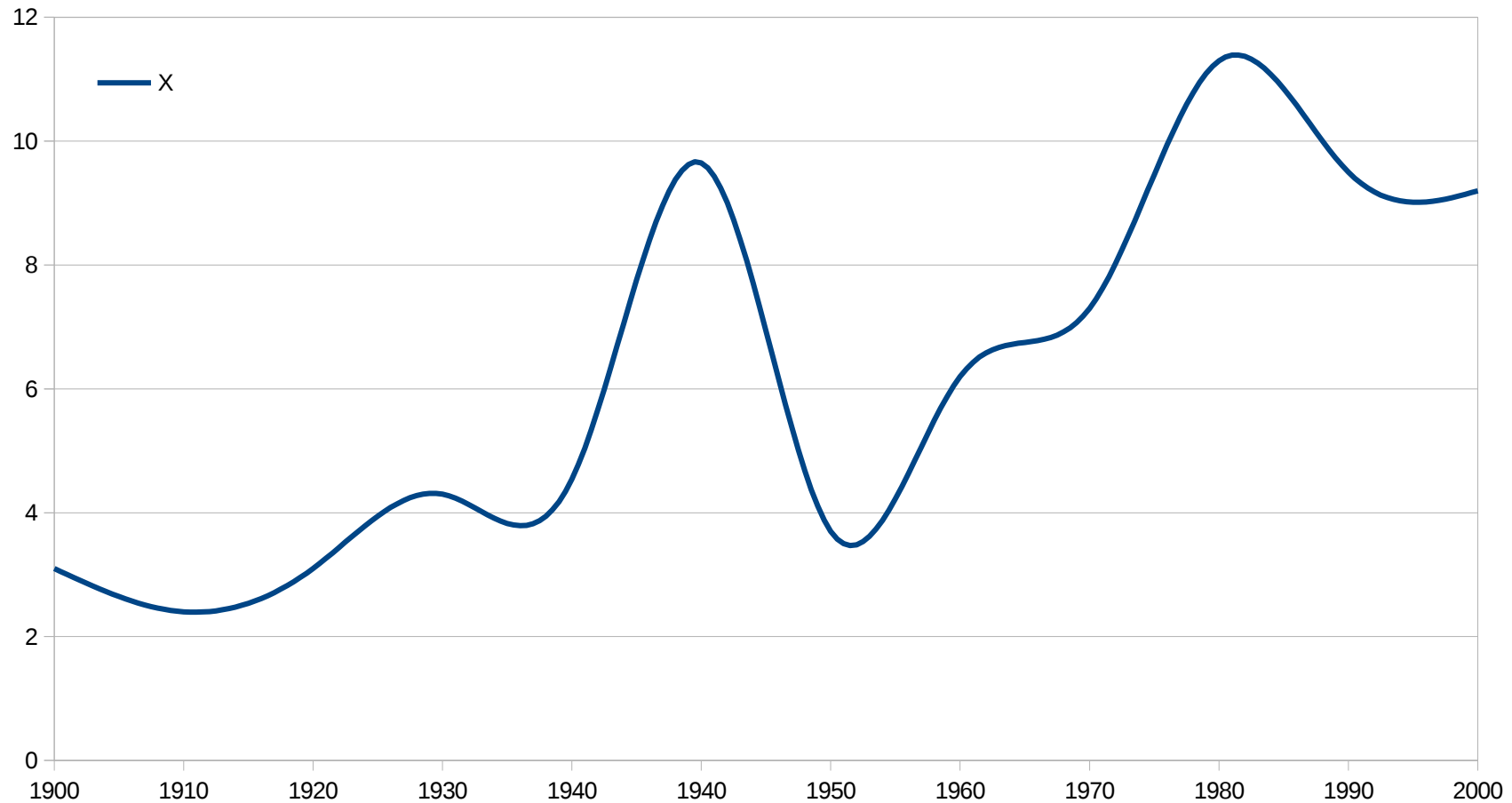
# Topics

- 23/02: Modern economic development in historical perspective
- 28/02: The ascent of market economy
- 02/03: The Industrial Revolution
  - UK 1700-1850
- 14/03: Market and natural environment
  - US 1860-1950
- 16/03: Market and political freedom
  - Germany 1840-1940
  - China 1950-2000

Class time: 10.00-11.15, BREAK, 11.30-12.45

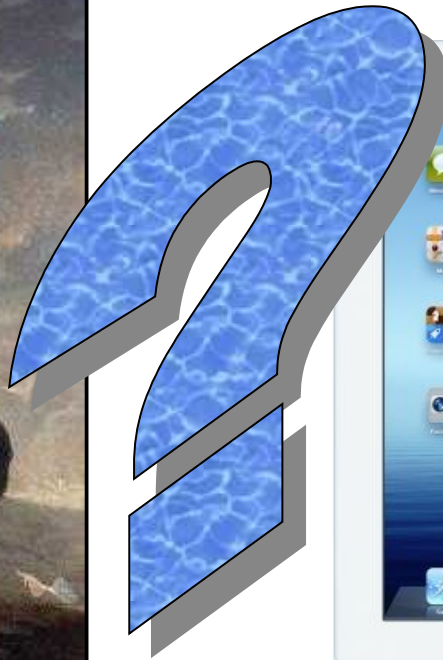
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# Time isn't an uniform dimension



Time =  $T_0$   $T_1$   $T_2$   $T_n$

# Something is changed...



*Medieval / Early Modern Ages (pre-industrial)*

# Suggestion: you need a chronology



Late Middle Ages  
(1000-1400)



Renaissance  
(1400-1600)

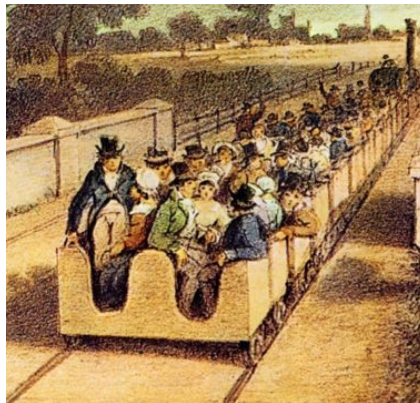


Baroque  
(1600-1700)



Enlightening  
(1700-1800)

*Modern / Contemporary Ages (industrial)*



1800-1850



1850-1900



1900-1940



1940-1960

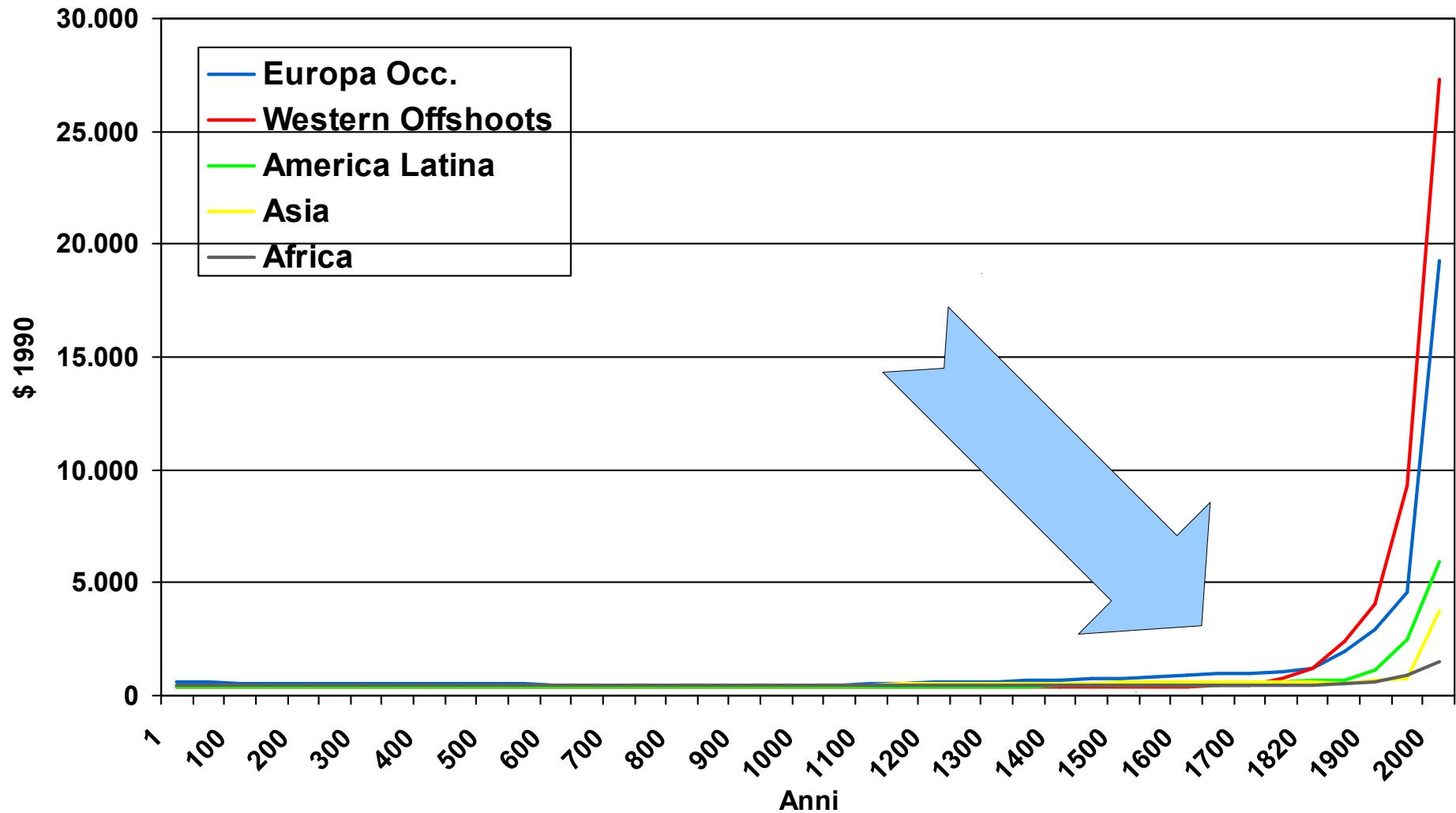


1960-1980



1980-1990

# GDP procapite

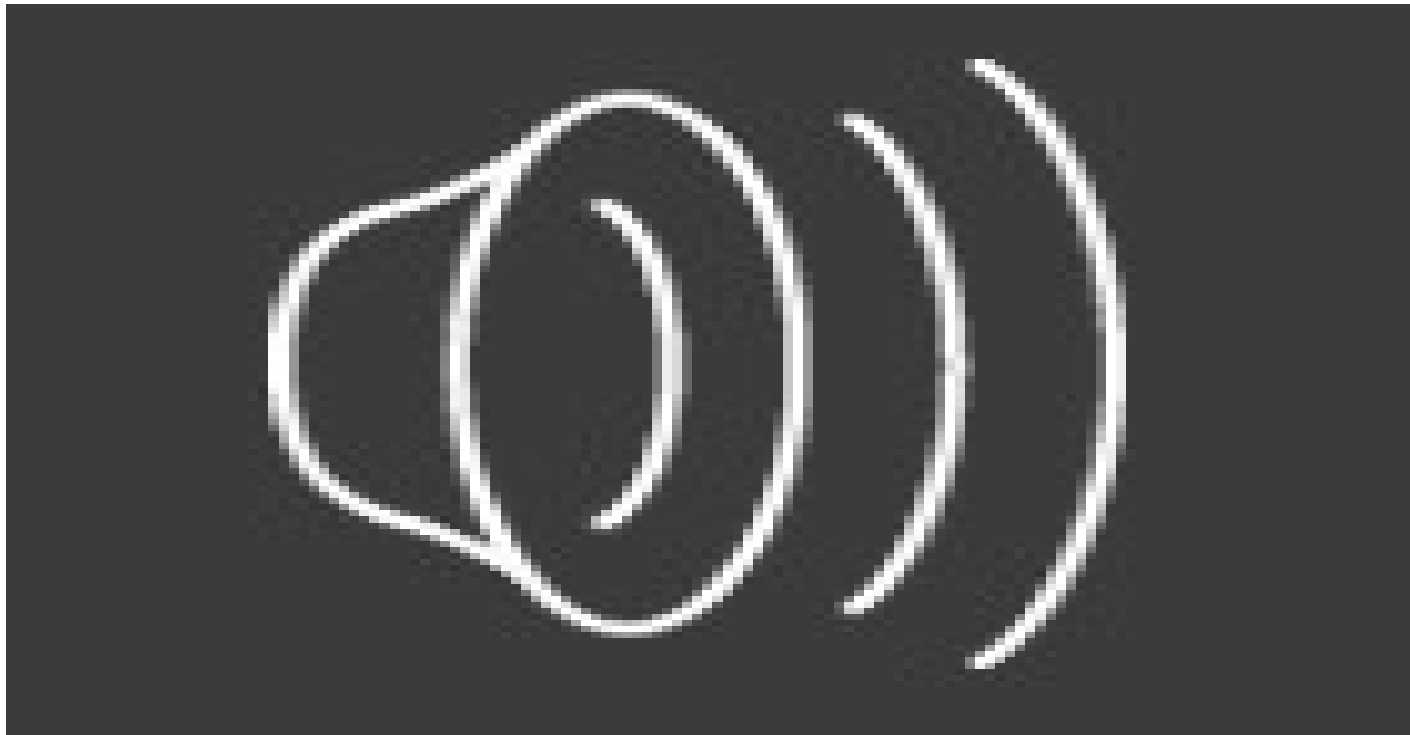




# Development as an anomaly

- Before capitalism economic growth is exception
    - Uncertainty and frequent crisis in pre-industrial economy
    - Development is reversible
  - Capitalism as a phenomenon limited in:
    - Time (only some 'island' before XVII Century)
    - Space (until XX Century only Europe)
    - Economic sectors (agriculture is dominant)
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# 200 years, 200 countries in 4'



Other interesting insight by Hans Rosling, creator of Gapminder, at:  
<http://www.youtube.com/user/Gapcast>

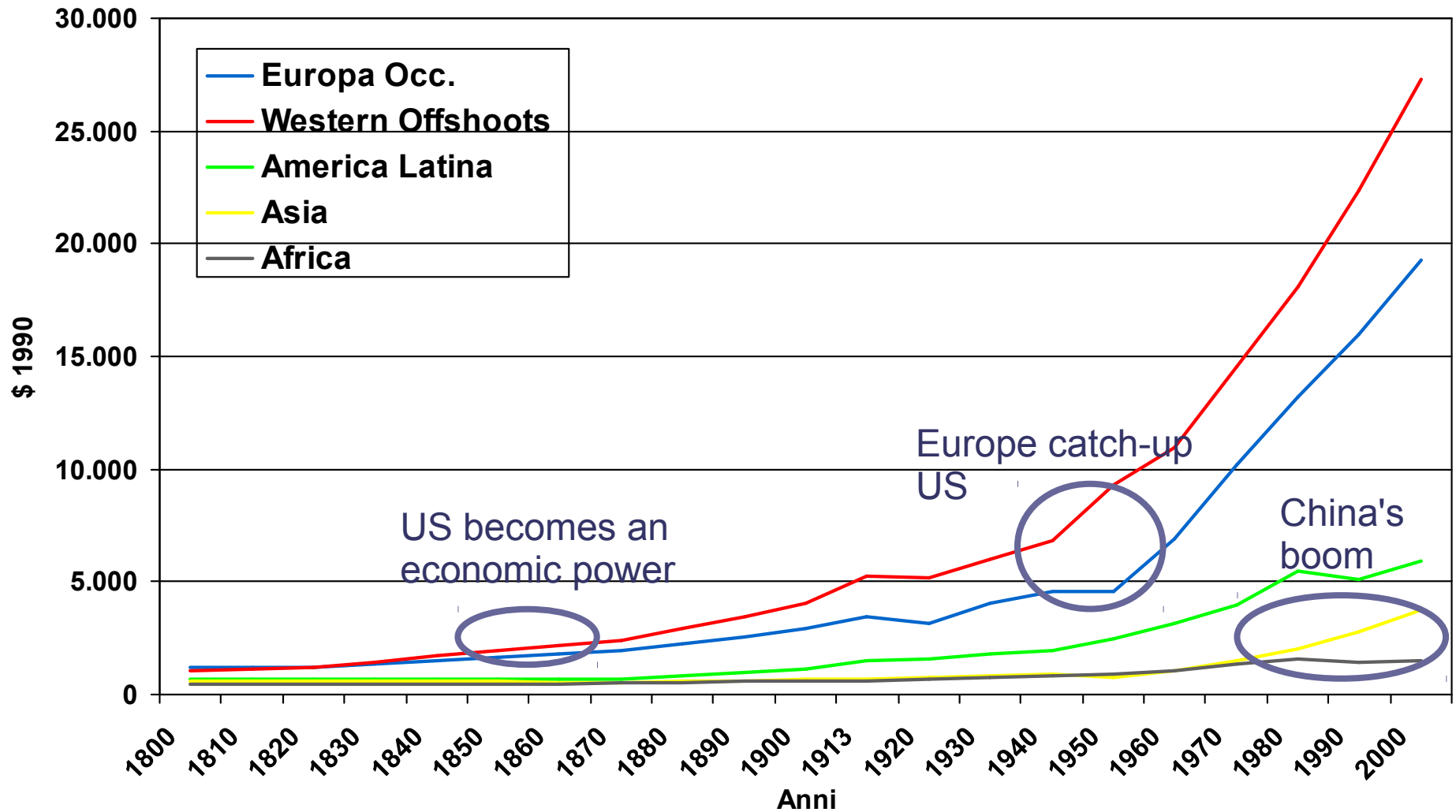
## [Www.gapminder.org](http://www.gapminder.org)

- X = Income per person  
(GDP/capita, PPP \$ inflation adjusted, LOG SCALE)
  - Y = Life expectancy (years, LINEAR SCALE)
  - Z = none (then Population)
    - Sample = all
    - Years = 1800-2011
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# The age of market economy

- 1750-1850: first Industrial revolution in UK
  - 1870-1920: industrialisation spreads in Europe (Germany) and *western offshoots* (United States, Canada)
    - New model of capital-intensive production (big business)
    - First Globalisation (+ age of imperialism)
  - 1945-1970: Thirty Glorious Years
    - American model of production (Fordism)
    - Industrialisation of extra-European countries (+USSR influence)
  - 1970-2000: crisis of Fordism
    - New models of production (Japan, Italian SME)
    - Globalisation (growth of BIRC)
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# Who is leading the race?



Gapminder

[www.bit.ly/1QAieyM](http://www.bit.ly/1QAieyM)

A closer look at

UK, US, Germany, Japan, China and India  
Divergence/convergence in development

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# Conclusions

- Time matters (qualitatively)
  - Our economic system (capitalism or market economy) is a recent creation
    - Limited in time and in space
  - Modern economic development changed the rules of the game
    - Growth is the norm
    - Decadence is usually 'relative'
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