

Catching Up, Falling Behind

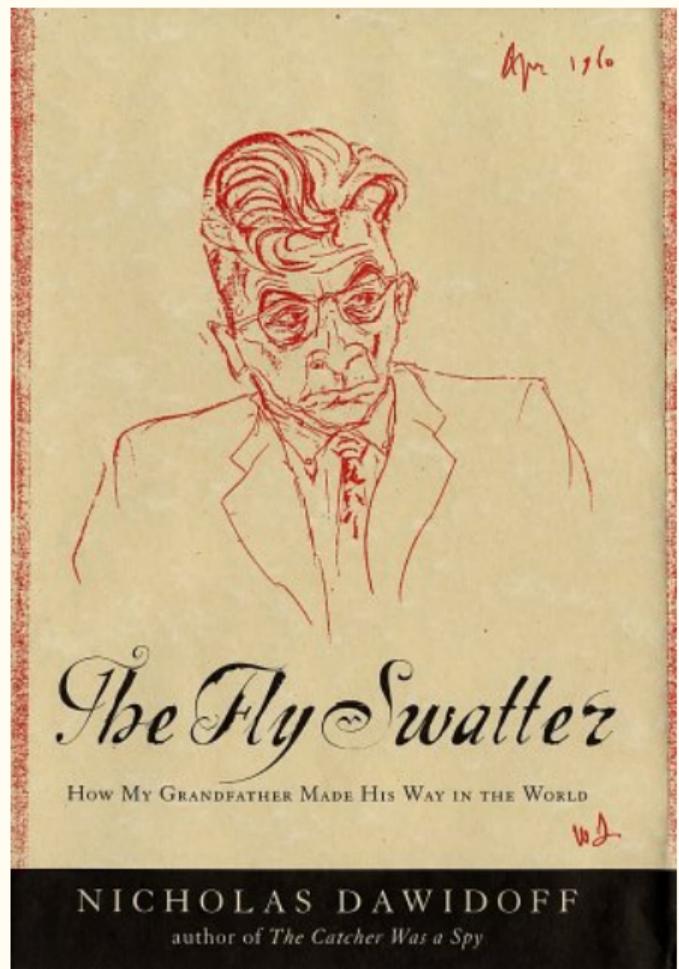
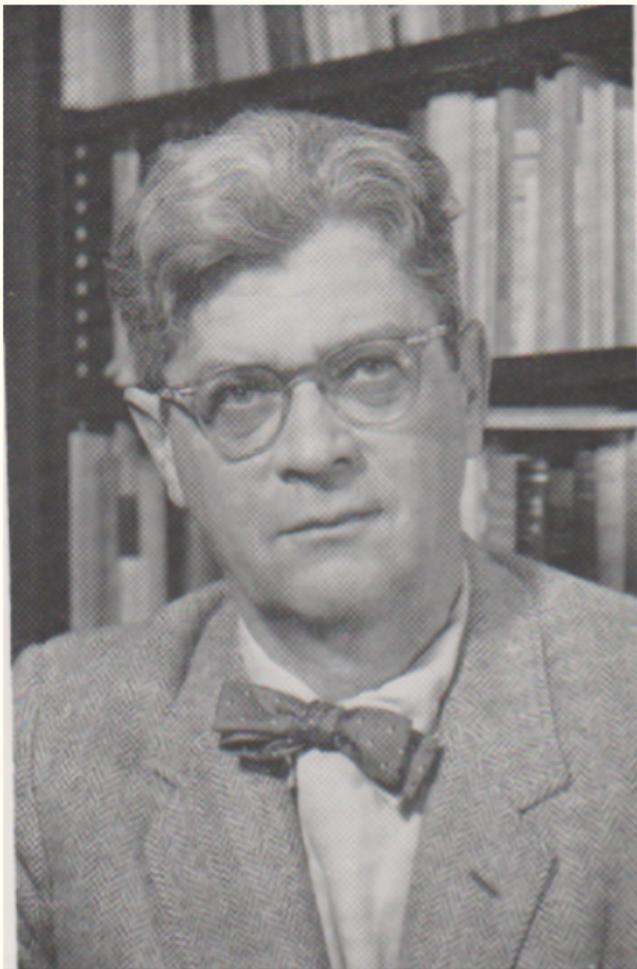
Jesús Fernández-Villaverde¹

October 2, 2023

¹University of Pennsylvania

- After the leader –United Kingdom– and close followers start modern economic growth, countries face the need to catch-up:
 1. Political pressure.
 2. Defensive modernization.
 3. Economic gains.
- Successes: Germany, Japan, U.S.
- Failures: China, the Indian subcontinent, Ottoman Empire.
- Intermediate cases: Italy, Spain, Russia.

- Two questions:
 1. Positive: How can we think about catching up?
 2. Normative: What can be done to catch up?
- Much of the global economic history since 1870 can be understood by considering these two questions.



Alexander Gerschenkron, Economic Backwardness in Historical Perspective

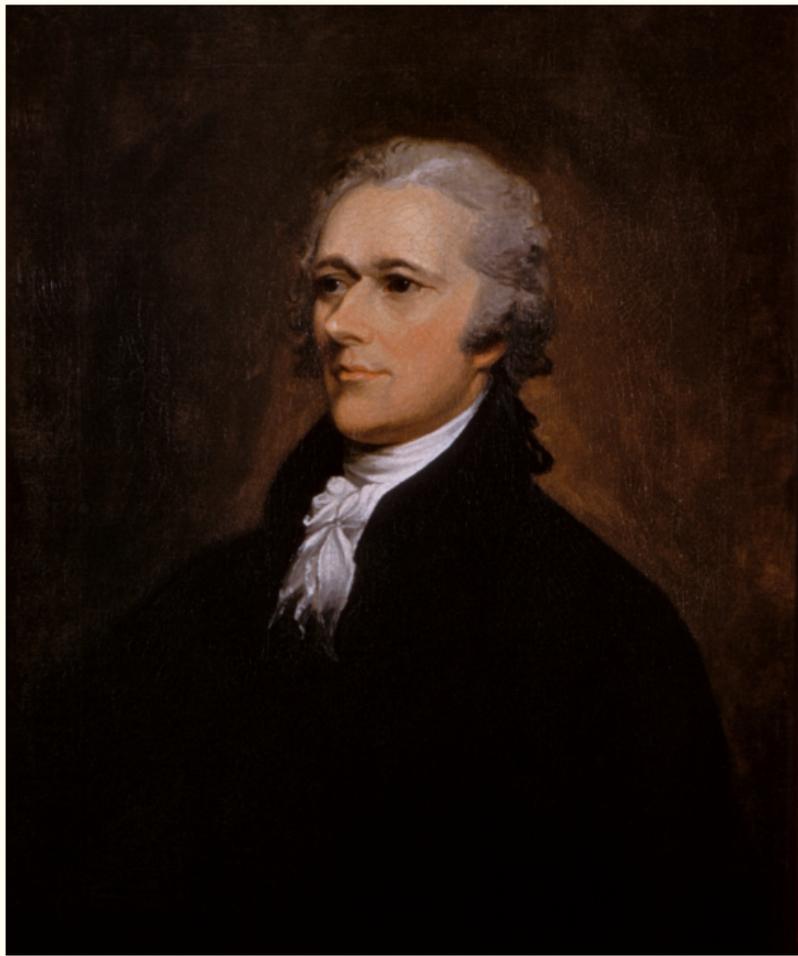
1. Backwardness creates a tension that takes political form and motivates institutional innovation.
2. The more backward the country, the more state intervention (or large banks in Germany) to channel capital and entrepreneurs to nascent industries. Also, the more coercive and comprehensive were the measures required to reduce consumption and allow national saving.
3. The more backward the economy, the more likely an emphasis upon domestic production of producers' goods rather than consumers' goods, the use of capital-intensive technologies, the emergence of larger-scale production units, and dependence upon borrowed, advanced technology.
4. The more backward the country, the less likely the agricultural sector to provide a growing market to industry, and the more dependent was industry upon growing productivity and inter-industrial sales. Such unbalanced growth was frequently made feasible by the state.

Taking stock on Gerschenkron's thesis

- Evidence:
 1. Some vigorous programs of state-led modernization have worked.
 2. But, for each program that worked, we have many others that did not.
 3. Difficult to find out what works and what does not.
- Elements that *seem* to help:
 1. Strong nationalistic feeling in government and population.
 2. Strong civil service that prioritizes modernization.
 3. External pressures (threats, “indications” from the U.S.).
- But even for successes, militaristic-authoritarian tendencies are common.
- We will see this again when we study Asian countries after WWII.

The role of tariffs

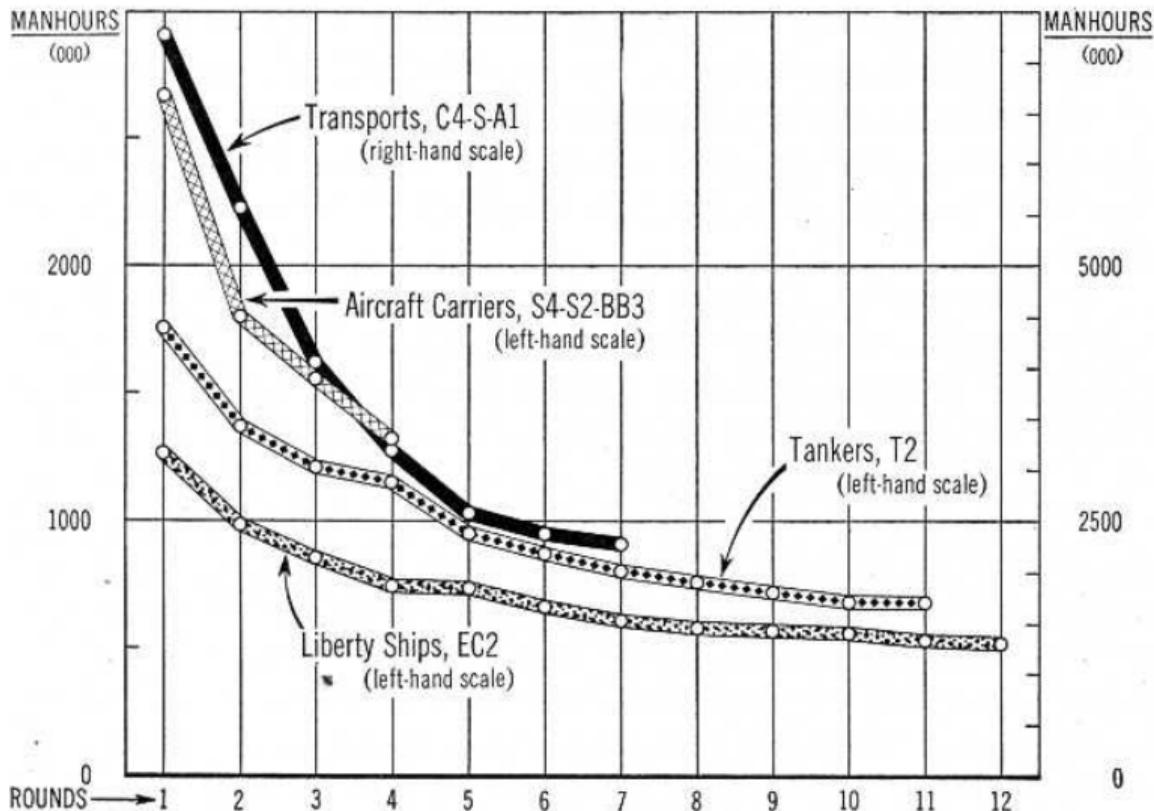
- A central part of many modernization programs: tariffs to protect infant industries.
- Original proponents: Alexander Hamilton and Friedrich List.
- Motivation:
 1. Learning-by-doing.
 - 1.1 Leonard Rapping, Kenneth Arrow.
 - 1.2 Liberty Ships during WWII.
 2. Economies of scale.





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Selected Types By Rounds Of the Ways



- Counterarguments:
 1. Difficult to extend to many countries.
 2. Difficult to pick “national champions.”
 - 2.1 Experience of MITI: Fifth Generation Computer Systems project vs. Honda.
 - 2.2 Experience of “Atari Democrats.”
 3. Difficult to separate from interest groups.
- Current implications: green technologies.





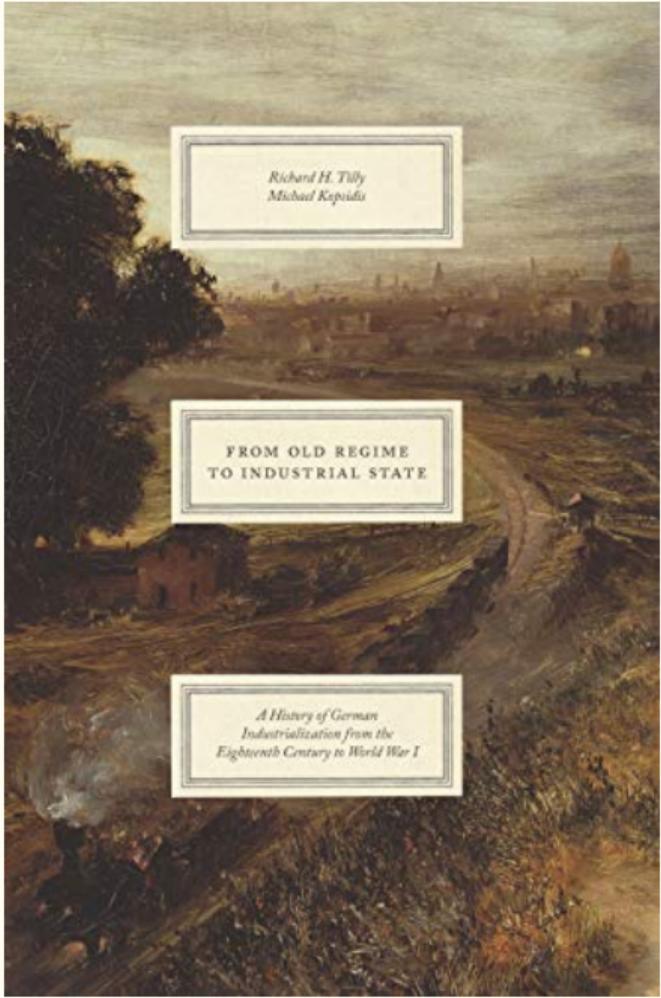


Germany



- On January 18, 1871, Deutsches Kaiserreich is proclaimed in the Hall of Mirrors of the Palace of Versailles.
- Crucial development:
 1. Largest population in Europe.
 2. Central position in the continent.
 3. Limited democracy/partially authoritarian regime.
 4. Most importantly, a quickly growing economy.





*Richard H. Tilly
Michael Kazdin*

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- Role of heavy industry: steel, chemical.
- Role of banks: universal banking.
- Role of universities.
- Role of R&D.
- Alliance of iron and rye.

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Japan

Japan opens: Perry's expedition

- Remember that, from the early 16th century, Japan was closed to the rest of the world.
- In 1852, Commodore Perry travels from Norfolk, Virginia, to Tokyo Bay in command of a squadron of four black-hulled steam frigates.
- Goal: search for a Japanese trade treaty.
- President Millard Fillmore has authorized the use of force if needed.
- Treaty of Kanagawa signed in 1854.
- In 1855, Russia and Japan established diplomatic relations.
- In 1864, British, French, Dutch, and American warships bombarded Shimonoseki and opened more Japanese ports for foreigners.



- In 1868, Tokugawa Yoshinobu resigns, the Tokugawa dynasty ends, and the emperor (or “mikado”) Meiji is restored.
- Capital in Edo/Tokyo, emperor supposedly with divine attributes.
- Small, tight group of elite notables controls the country.
- Idea: western learning with Japanese spirit.

EMPEROR OF JAPAN

MEIJI AND HIS WORLD, 1852 – 1912

扶桑高貴鑑



DONALD KEENE
READ BY ERIC JASON MARTIN

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- Accelerated program of modernization:
 1. By 1873: prefects, bureaucratic jobs, newspapers, an education ministry, military conscription, railways, and the Gregorian calendar.
 2. By 1879: representative local government.
 3. By 1889: bicameral parliament.
- Samurais are expropriated: feudal rents transformed into bonds from the central government but eaten away by inflation.
- Promotion of industrialization (Shokusan-kogyo).
- Focus on textiles and other light industries.

Table 4.2 Japan's GDP and population growth

	Per capita GDP in the final year of each period (1990 international \$)	Total population at the end of each period (1,000 persons)	Growth rate of GDP per capita (%)	Growth rate of total population (%)
1846–74	1,013	34,840	0.41	0.28
1874–85	1,087	38,230	0.64	0.84
1885–1913	1,529	51,727	1.22	1.08
1913–40	3,071	71,869	2.58	1.22
1940–55	2,771	89,276	-0.69	1.45
1955–70	9,714	104,665	8.36	1.06
1970–90	18,789	123,611	3.30	0.83
1990–2010	21,935	128,057	0.77	0.18

Sources: Saito and Takashima 2016; Bassino et al. 2016.

Table 4.3 Total number of gainfully occupied persons and sectoral shares

	Total number of persons	Primary sector (%)	Secondary sector (%)	Tertiary sector (%)
1874	21,745,206	70.5	12.9	16.6
1890	23,263,244	62.0	19.0	19.1
1913	26,097,452	58.0	19.5	22.5
1930	29,619,600	48.1	22.6	29.4
1940	32,941,600	43.0	26.5	30.5
1955	40,763,353	41.4	24.5	34.2
1970	54,259,458	19.9	34.4	45.8
1990	64,262,899	8.8	32.9	58.3
2008	64,202,212	5.0	25.5	69.5

Note: By-employment is taken into account.

Sources: Fukao et al. 2015; Fukao and Settsu 2017.

Assertive foreign policy

- 1894-1895: War with China. Control over Korea and Taiwan.
- 1899: abolished extra-territoriality—the immunity of Europeans from Japanese justice and law.
- 1905: Russo-Japanese War in 1905. Battle of Tsushima. Control over Manchuria.
- 1914: Japan's declaration of war against Germany in WWI. Control over Germany's Pacific colonies.
- Feels cheated in 1918.
- Most crucial lesson: non-European peoples can modernize pretty quickly (although the political and military modernization is faster than the economic one).



The U.S.



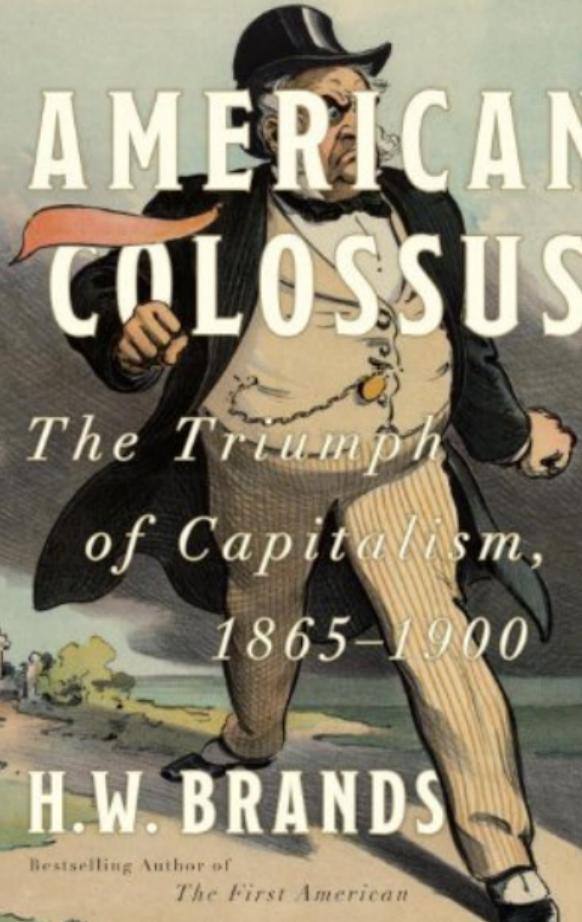
The
REPUBLIC
FOR WHICH
IT STANDS

THE UNITED STATES DURING RECONSTRUCTION
AND THE GILDED AGE, 1865-1896

RICHARD WHITE

THE OXFORD HISTORY OF THE UNITED STATES

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*The Triumph
of Capitalism,
1865-1900*

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The First American

A new birth of freedom?

- The U.S. emerges from the Civil War as a country with a much more unified elite (no Southern president after A. Johnson until W. Wilson in 1912) and a government strongly committed to promoting economic growth.
- The U.S. seems to have all the gifts of nature:
 1. Abundant land.
 2. Multiple mineral resources.
 3. No enemies north or south.
 4. An educated population.
 5. A large internal market.





- Fast economic growth (per capita and aggregate).
- First economic power by 1900.
- Strong capital investment.
- Deep structural transformation.

Growth rates

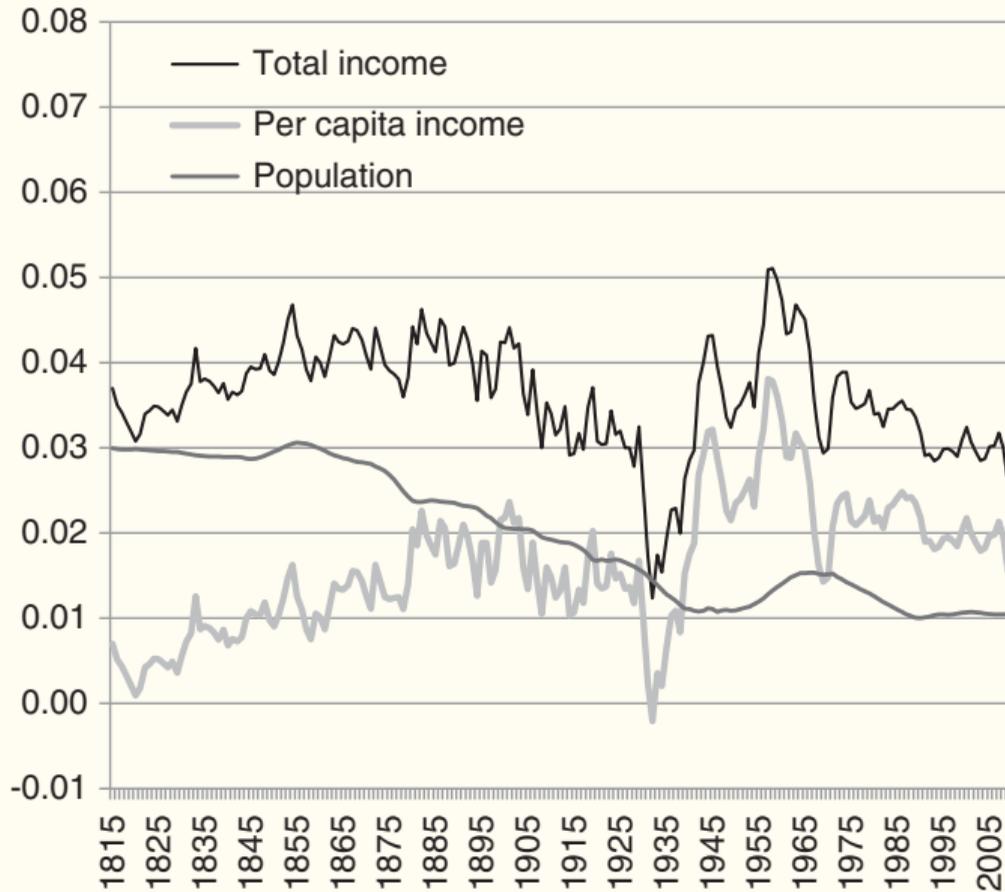


Table 1.5 Relative productivity performance and leadership

	UK/US labour productivity			US = 100 Total
	Agriculture	Industry	Services	
1870	115.1	65.1	116.4	111.4
1890	97.9	60.9	118.8	106.3
1910	96.9	51.8	93.1	85.0
1920	78.1	50.5	84.1	75.0
1929	91.2	43.9	82.6	71.7
1937	96.8	52.5	83.3	75.4
1950	79.4	41.1	71.0	59.9
1963	76.2	46.6	72.8	65.7
1990	66.2	61.3	77.2	75.2

Source: Broadberry 2006: 20.

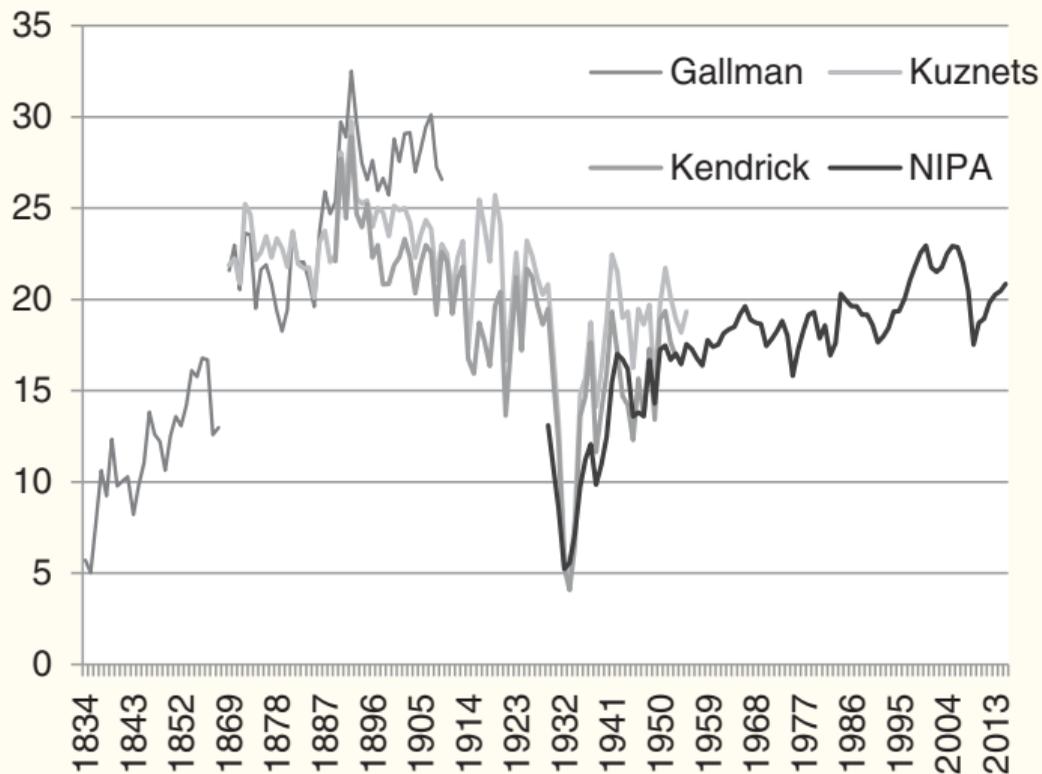


Figure 1.2 US capital formation rate, 1834–2015

Sources: Constant price series from Gallman and Rhode 2019; Kuznets 1961; Kendrick 1961; www.bea.gov/iTable/index_nipa.cfm (accessed 29 September 2020).

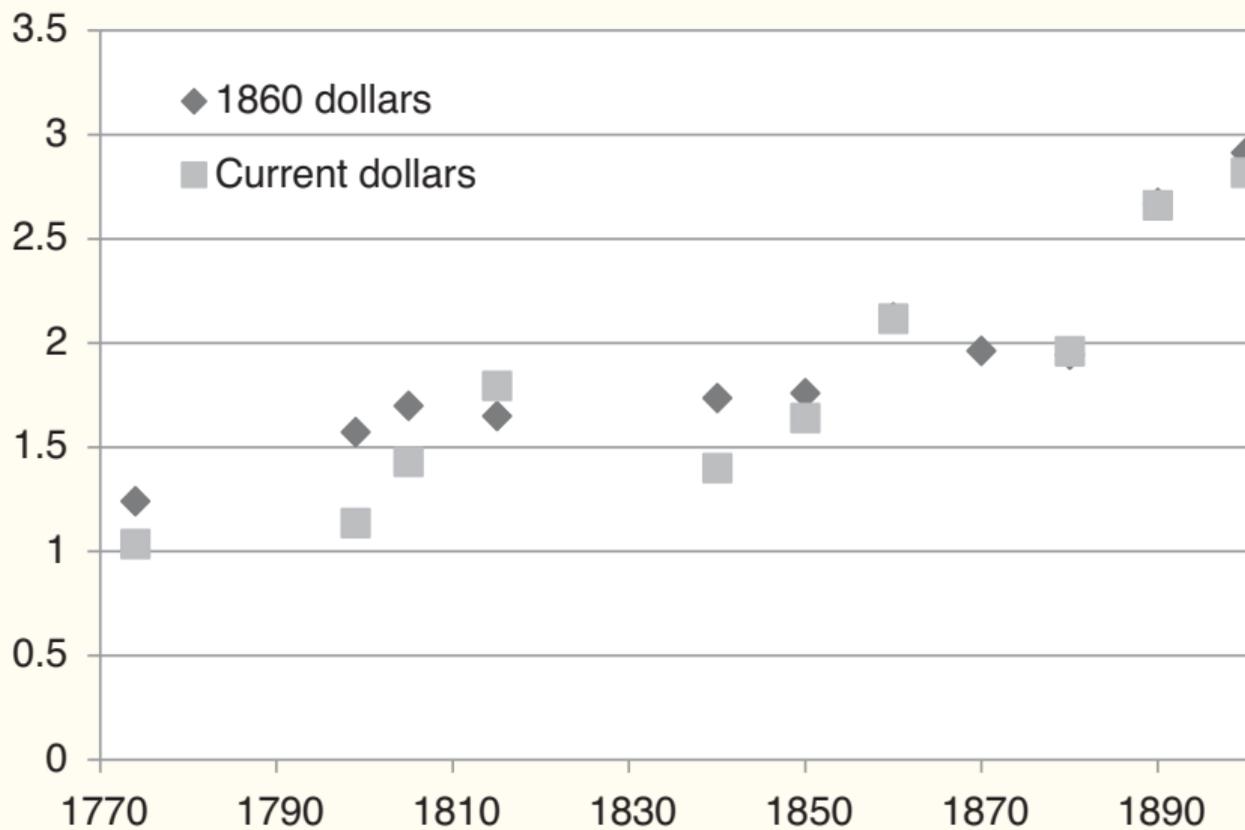
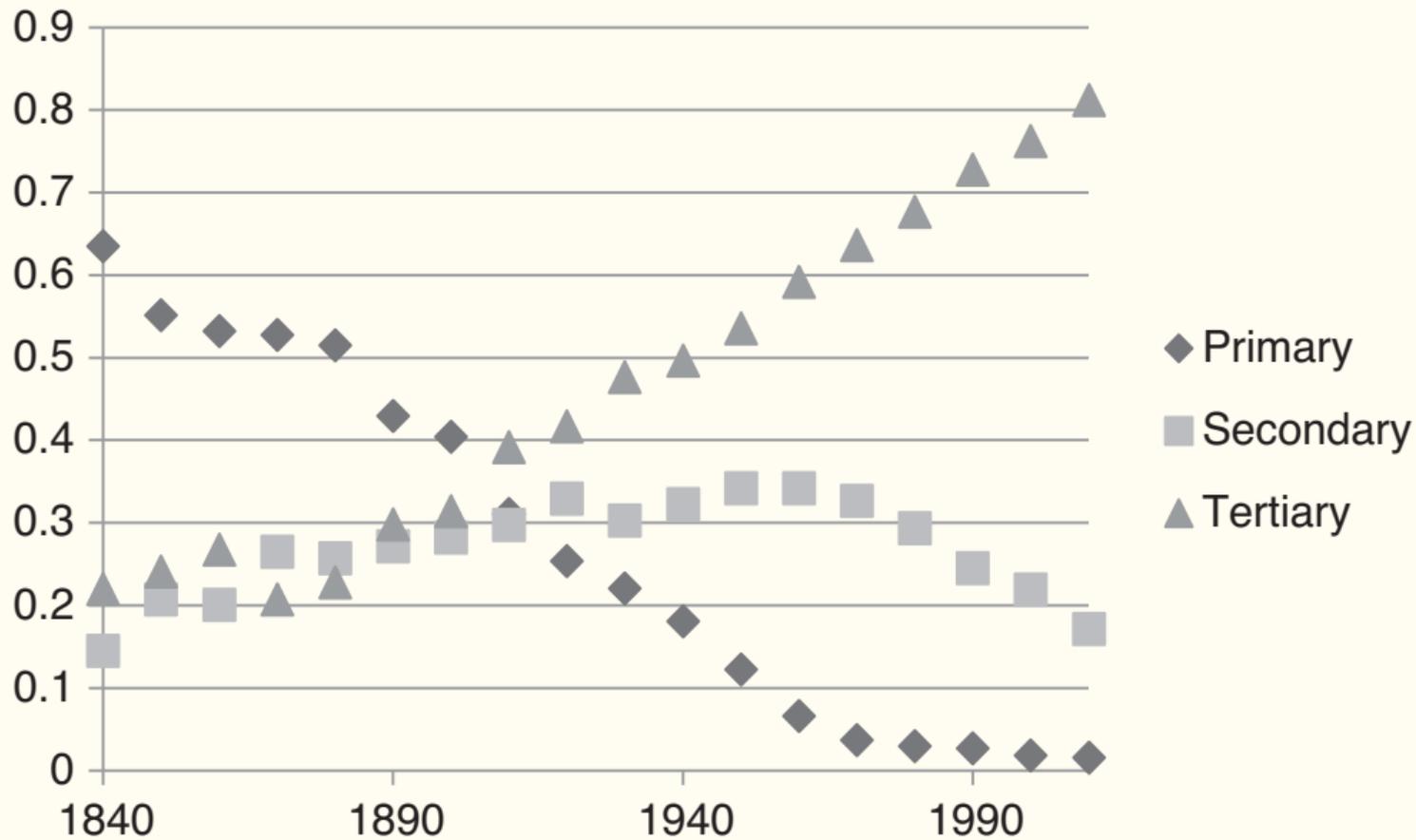


Figure 1.3 National capital-GNP ratio, 1774-1900
Source: Gallman 1992.

Labour force

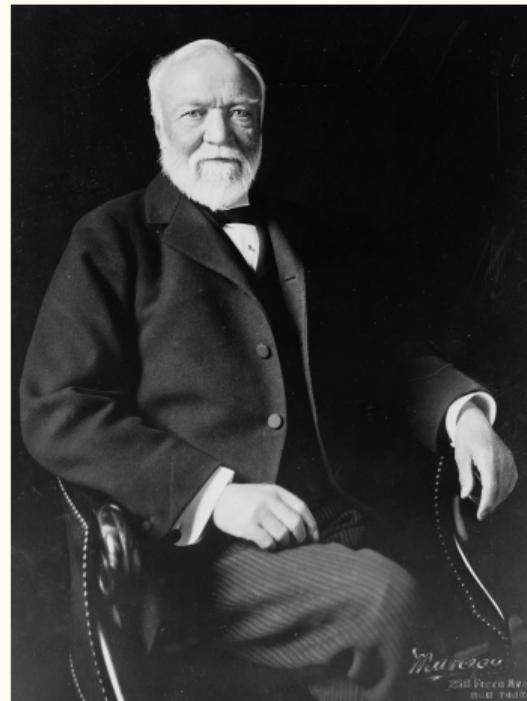
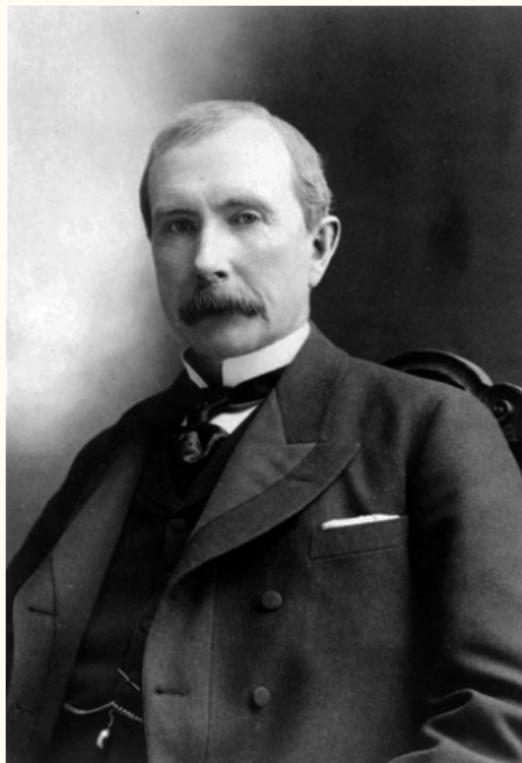
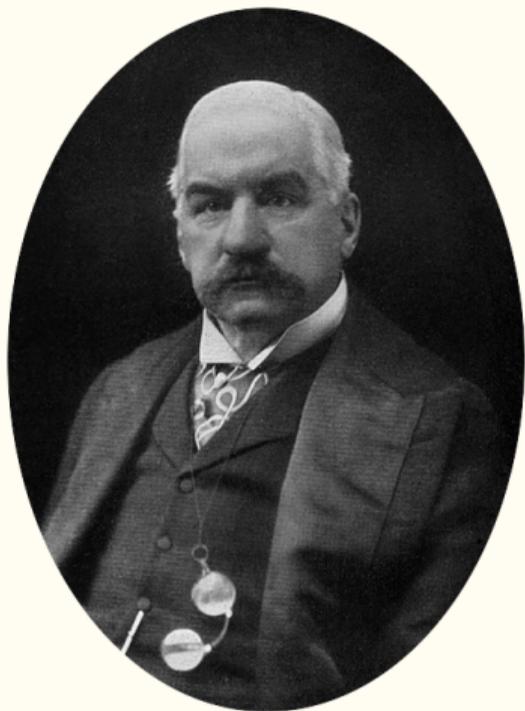


The Gilded Age

- Big corporations appear to take advantage of economies of scale.
- Robber Barons (mostly unfair naming): Duke, Vanderbilt, Stanford, Rockefeller (just those with Universities named after them).
- Standard estimates is that corporations captured around 5% of increases in welfare and consumers around 95%.
- Most important magnates of the era:
 1. J.P. Morgan (1837-1913).
 2. J.D. Rockefeller (1839-1937).
 3. Andrew Carnegie (1835-1919).

Scale and
Scope The
Dynamics of
Industrial
Capitalism
Alfred D.
Chandler, Jr.





Antitrust legislation

- Sherman Antitrust Act of 1890, the Clayton Antitrust Act, the Federal Trade Commission Act of 1914, and the Robinson-Patman Act of 1936.
- 1911, the Supreme Court agreed that Standard Oil Company had violated the Sherman Act and broke the monopoly into three dozen separate companies:
 1. Standard Oil of New Jersey (later known as Exxon and now ExxonMobil).
 2. Standard Oil of Indiana (Amoco).
 3. Standard Oil Company of New York (Mobil, again, later merged with Exxon to form ExxonMobil).
 4. Standard Oil Company of California (Chevron).



A case study: Aluminum

- Aluminum is the most abundant metallic element in the Earth's crust.
- However, it is mainly found in bauxite, an ore where it is mixed with iron and other minerals.
- Discovered and first produced in 1827 by Friedrich Wöhler at an excessive cost. Napoleon III's forklware.
- 1886: American chemist Charles Martin Hall and the Frenchman Paul Héroult separately invent the Hall–Héroult process for smelting aluminum: it dissolves aluminum oxide (alumina) in molten cryolite and electrolyzing the molten salt bath.
- Suddenly, large production of aluminum becomes feasible at reasonable prices.
- Pittsburgh Reduction Company, which later became Alcoa: biggest Aluminum producer in the world for many decades.

Modernity and its discontents

- At the same time, many discontents.
- South reduced to a backwater region.
- Failure of the promise of Reconstruction: Jim Crow system.
- Populism in the Midwest: from “The Crime of 1873” to “The Cross of Gold speech on 1896.”

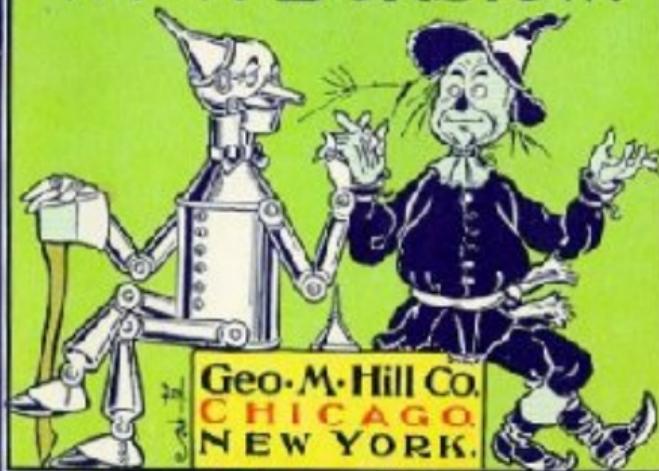
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China

THE CAMBRIDGE
ECONOMIC HISTORY OF



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- China was the world economic leader during the Song dynasty.
- England and Holland forged ahead by the 1500s. China has a lower income per capita than the most advanced regions of Europe.
- However, we need to compare equivalent geographical units (“California school of economic historians”).
- The Yangzi Delta, China’s richest region, falls behind around 1700.
- By around 1820, China is well behind.
- First (1839-1842) and Second Opium War (1856-1860) are a consequence of China’s lag, not a cause.

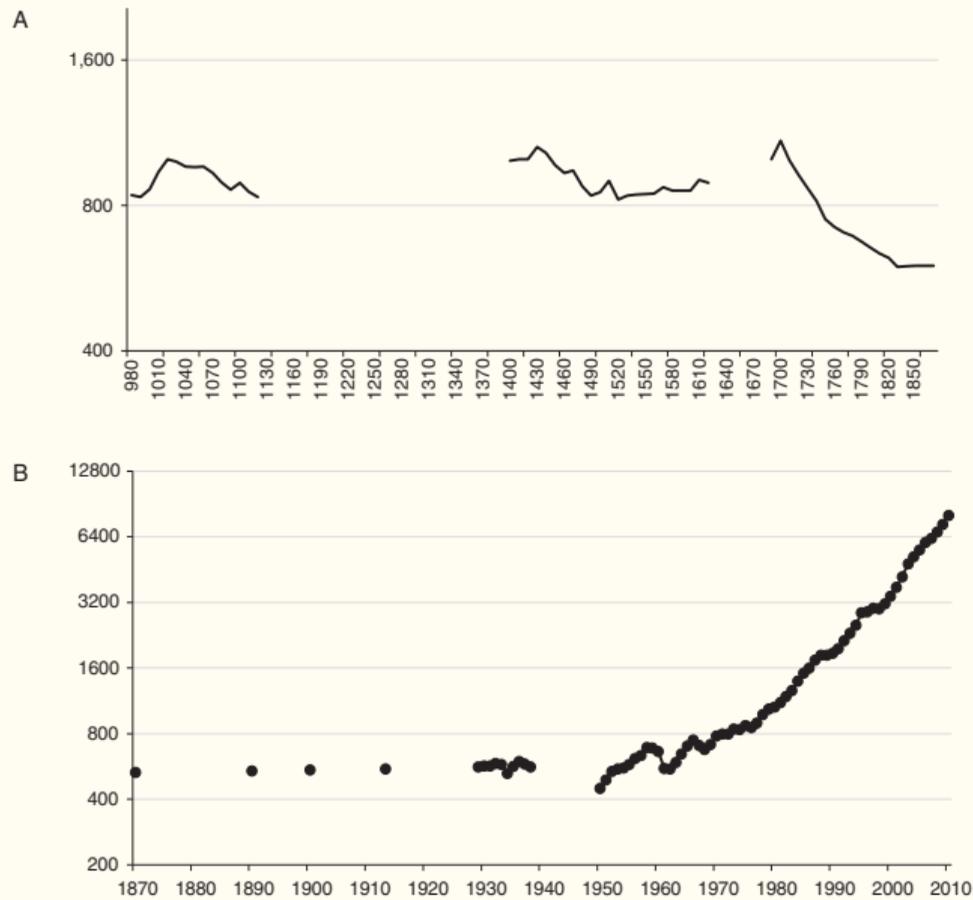
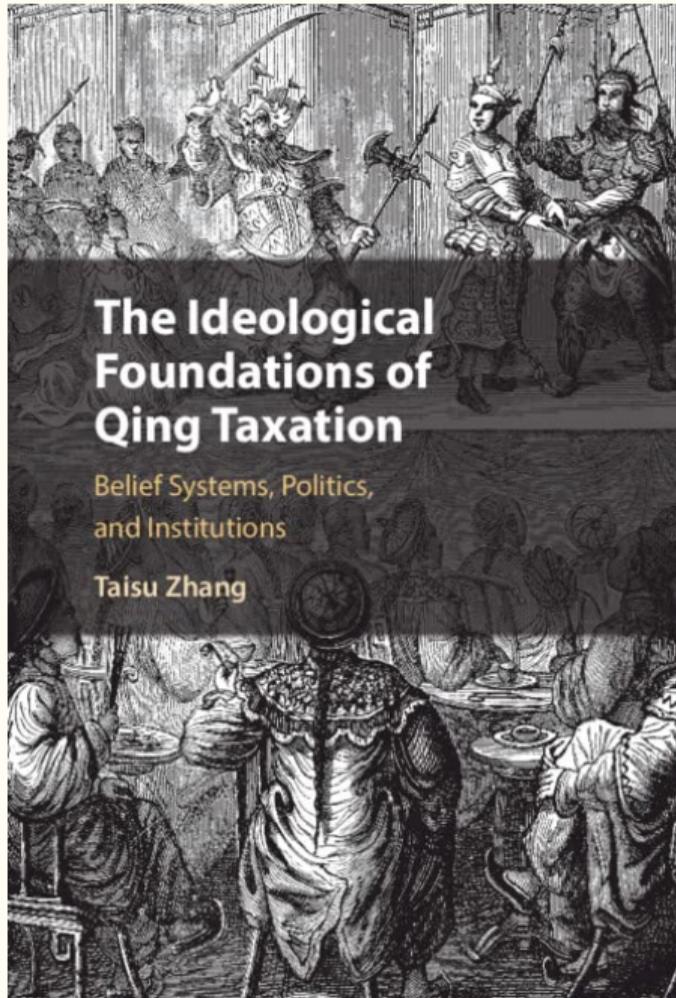


Figure 5.1 Chinese GDP per capita, 980–2010 (1990 international \$)

Source: A: Broadberry et al. 2018; B: Maddison Project Database, version 2013.

Low state capability

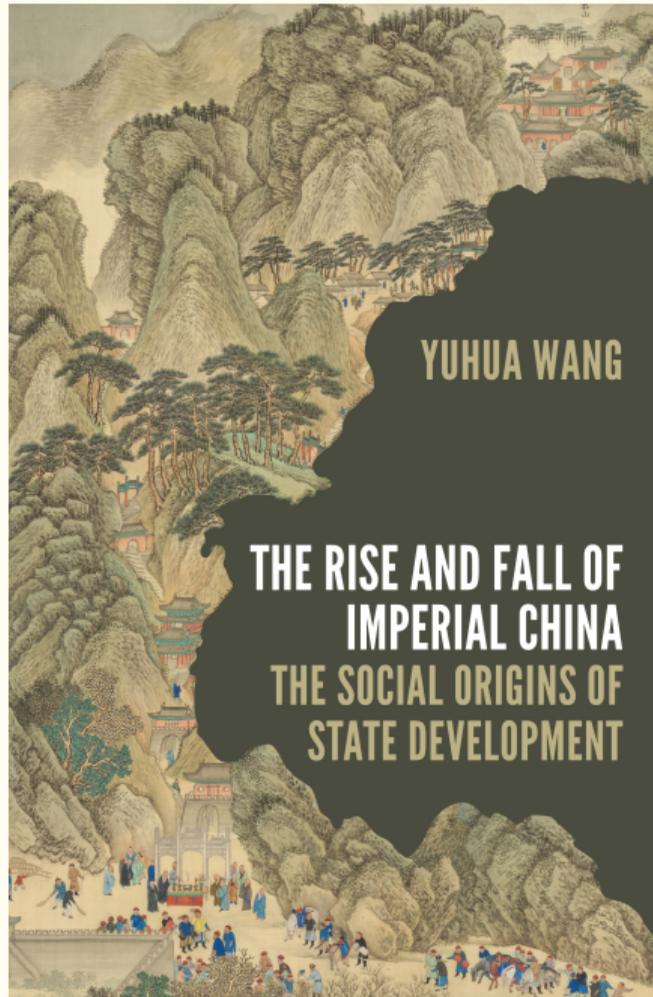
- The Qing state has a low state capability, both compared with other contemporary states and with previous dynasties.
- Taxation perhaps as low as 1.5–2% of GDP. Particularly low in the agricultural sector.
- The state delegates much of everyday governance (public security, tax collection, dispute resolution, commercial regulation) to local communities.
- The state lacks the will and the resources to regularly intervene in local affairs.
- What are the roots of China's low-state capability?



The Ideological Foundations of Qing Taxation

Belief Systems, Politics,
and Institutions

Taisu Zhang

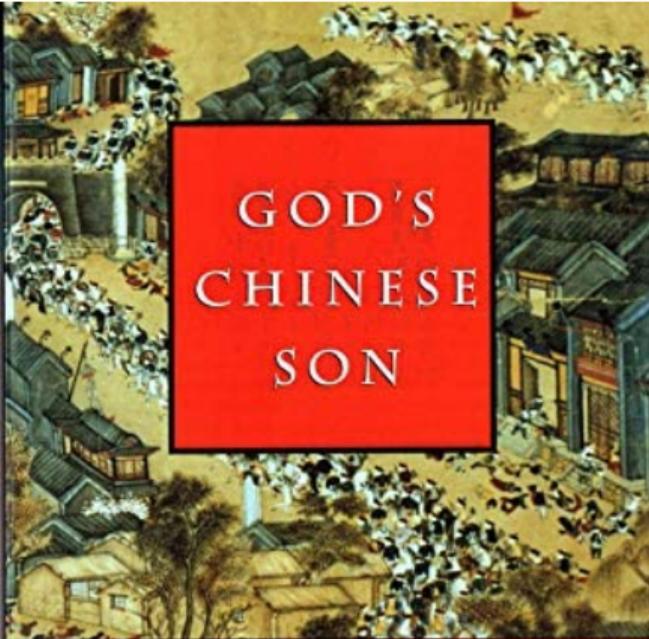


YUHUA WANG

**THE RISE AND FALL OF
IMPERIAL CHINA**
THE SOCIAL ORIGINS OF
STATE DEVELOPMENT

A terrible civil war, I

- Taiping Rebellion of 1850-1864 ravages central China.
- Hóng Xiùquán, a failed scholar:
 1. After failing one exam, he has some visions of himself being the younger brother of Jesus Christ.
 2. Proclaims the “Heavenly Kingdom of Great Peace.”
- He forges a brand of theocratic landlord-free authoritarian, anti-Manchu communism:
 1. Theocratic structure.
 2. Land equally divided after all the landlords were killed down (roughly 50% increase in median peasant standards of living).
 3. Anti-Manchu nationalism: “Ever since the Manchus poisoned China... the poison of corruption has defiled the emperor’s throne...”



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China into our world and time: a story of faith, hope, passion, and a fatal grandiosity."

—Marie Arana-Ward, *Washington Post Book World*



A terrible civil war, II

- Reasons the rebellion survives for so long:
 1. Enough landless and other desperate peasants join the rebellion.
 2. Low state capability (no modern, effective army).
 3. The imperial court feared victorious generals (as potential usurpers) at least as much as the rebels.



The Self-Strengthening Movement (1861)

- Li Hóngzhāng: traditional scholar, serves the Qing during the Taiping rebellion.
- Becomes senior official in foreign and military affairs.
- Initiatives:
 1. In 1877, Kaiping coal mine.
 2. In 1878, cotton mills in Shanghai.
 3. Tianjin arsenal.
 4. Telegraph between Tianjin and Peking.
 5. A seven-mile railroad to ship from Kaiping to the river.
 6. Běiyáng Jiànduì.



- Resistance:
 1. Dynasty itself.
 2. Bureaucrats.
 3. Landowners.
- Reformers are defeated.

The end of Imperial China

- War of 1894-1895 with Japan over the control of Korea.
- Boxer Uprising (or the Righteous Harmony Society Movement) in 1898-1901.
- Foreign powers: Eight-Nation Alliance.
- Finally, 1911 Revolution.
- Starts times of political instability that will last until 1949.
- Industrialization is nearly impossible.
- Two important elements:
 1. Sun Yat-sen: first of modern nationalist leaders.
 2. Guómíndǎng (GMD): first of modern popular-nationalist movements.



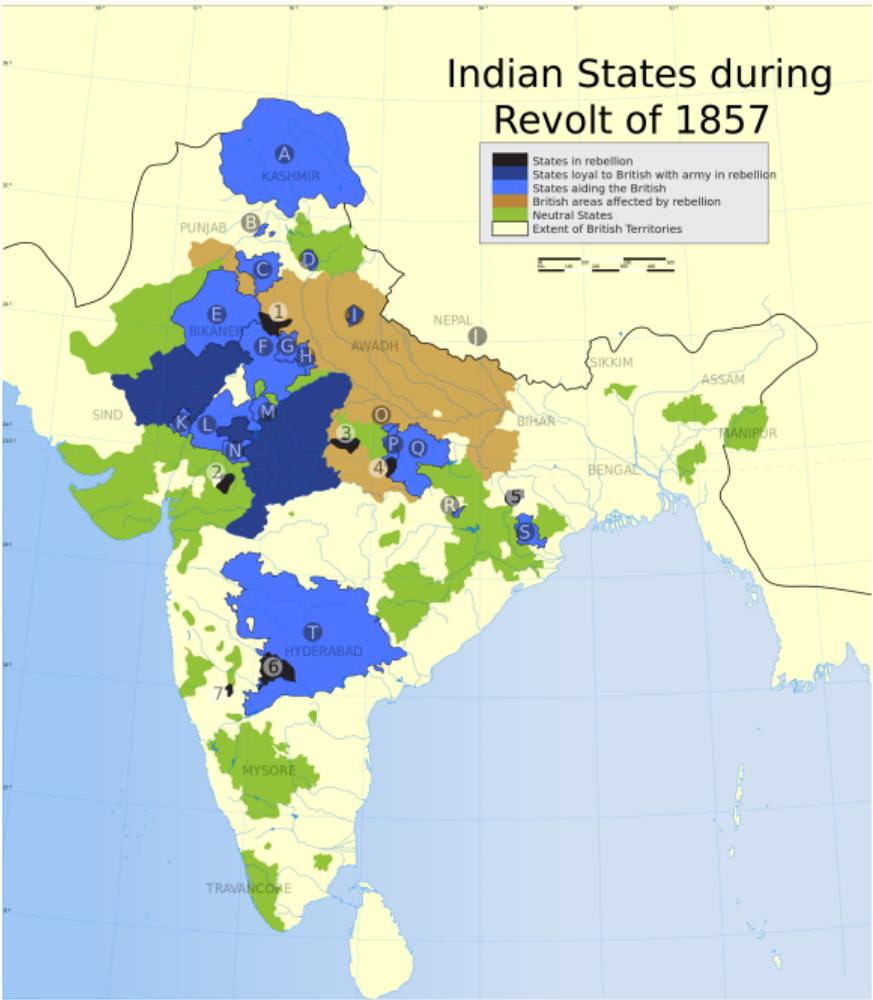


The Indian subcontinent

The “modern” British Raj

- Indian Rebellion of 1857. Product of multiple causes, but the presence of animal fat in cartridges used by soldiers is the spark.
- After 18 months of horrific violence, the British regain control.
- Last Mughal ruler, Bahadur Shah II, deposed (direct descendent of Ghengis Khan, Timur, and Babur).
- An Act for the Better Government of India in 1858 abolishes the BEIC, and the assets are transferred to the Crown ⇒ British Raj.

Indian States during Revolt of 1857





THE LAST MUGHAL

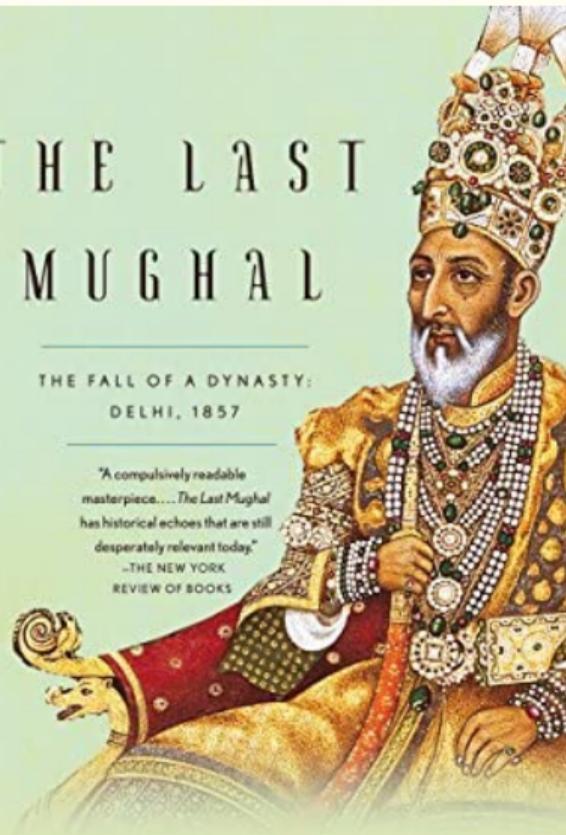
THE FALL OF A DYNASTY:
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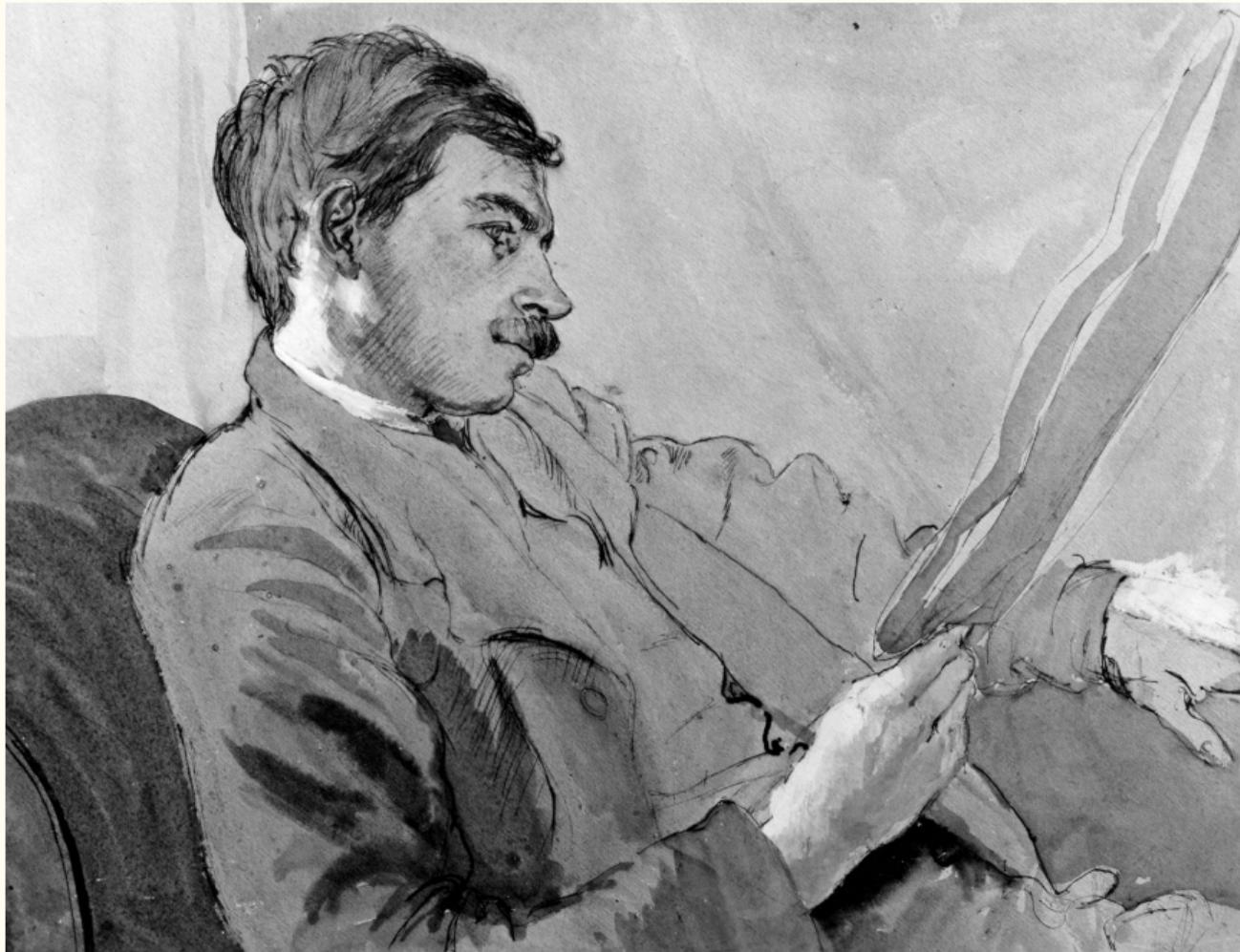
Author of *WHITE MUGHALS*



The political structure

- Divided between British India (58% of territory) and the Princely States (565 at independence, 40% of territory).
 - Largest: Jammu and Kashmir (still a conflict area) and Hyderabad State.
- Ruled by Indian Office.
 - Minimal number of civil servants (but some quite famous).



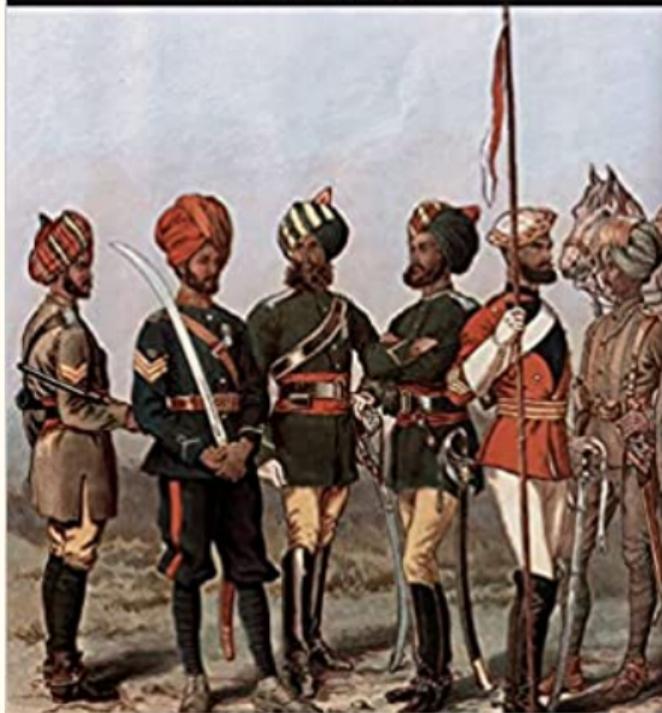


Tirthankar Roy



An Economic History of India 1707-1857

SECOND EDITION

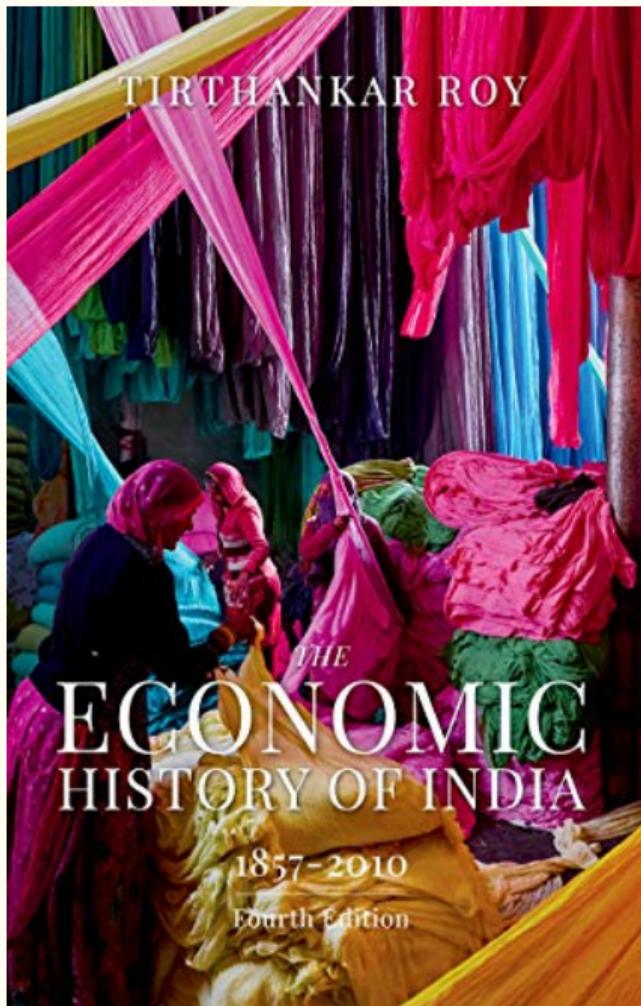


TIRTHANKAR ROY

THE
**ECONOMIC
HISTORY OF INDIA**

1857-2010

Fourth Edition



Economic performance

- The subcontinent's economy seems to have stagnated or declined since at least 1600.
- Stagnation appears well before the arrival of the Europeans en masse.
- Deindustrialization was less dramatic than previously thought and probably unavoidable ([Broadberry and Gupta, 2009](#)).
- At the same time, same concerns as with China: the subcontinent is a large region, and one should pick the units of comparison carefully.
- After 1870: little or no economic growth until WWII (more before 1914, no growth from 1918 to 1945), and several severe famines.

Table 6.4 Long-run growth: annual growth rate in per capita GDP

	GDP per capita (% per year)
1870–85	0.5
1885–1900	0.8
1900–1914	0.8
1914–45	−0.0
1900–1945	0.2
1950–80	1.4
1980–90	3.0
1990–2000	4.1
1950–2000	1.9

Sources: 1870–1900: Heston 1983: table 4.5;
1900–2000: Sivasubramonian 2000: table 6.II.

Table 6.7 Output per worker in 1948/49 prices, 1900–2000 (Rs)

	Primary	Secondary	Tertiary	GDP
1900–1901	438	586	874	516
1930–31	479	998	1,311	652
1950–51	376	806	966	515
1980–81	511	1,831	2,230	962
1999–2000	578	3,511	3,268	1,574
% increase 1950–2000	53.7%	335.6%	238.3%	205.6%

Source: Sivasubramonian 2000: tables 7.19 and 9.32.

Table 6.10 Sectoral shares of GDP and employment (%)

	Primary		Secondary		Tertiary	
	GDP	Employment	GDP	Employment	GDP	Employment
1900–1901	66.2	75.0	10.8	10.6	23.0	14.4
1930–31	56.2	76.0	14.1	9.0	29.7	15.0
1950–51	53.8	73.6	15.9	10.2	30.3	16.2
1980–81	37.5	70.5	25.3	13.4	37.2	16.1
1999–2000	23.6	64.2	30.9	13.9	45.5	21.9

Source: Sivasubramonian 2000: tables 2.8, 6.11, Appendix, table 6.9(d).

Why?

- Two sets of theories.
- Intrinsic limitations:
 1. High population growth.
 2. Low productivity in agriculture, with poor access to water.
 3. Low literacy levels.
 4. Epidemics.
 5. Social norms.
- The impact of colonialism.

The legacy of colonialism

- Net economic impact of colonialism is highly disputed.
- Integration into the British Empire changes trade patterns (more on the coast than on the interior).
- Public expenditures with a strong weight on the British Indian Army (and smaller home charges).
- On the other hand, the British encouraged investment, built an extensive railroad network, and helped develop coal and steel industries (e.g., The Tata Iron and Steel Company).
- Also, there are no significant differences between direct and indirect rule regions.

Table 6.3 Changing composition of Indian trade

A. Exports (%)

	Raw cotton	Cotton goods	Indigo	Raw silk	Food grains	Raw jute	Jute goods	Opium	Sugar	Tea
1811	4.9	33.0	18.5	8.3	—	—	—	23.8	1.5	—
1828	15.0	11.0	27.0	10.0	—	—	—	17.0	4.0	—
1850	19.1	3.7	10.9	3.8	4.1	1.1	0.9	30.1	10.0	0.2
1870	33.2	2.5	5.8	—	8.1	4.7	0.6	—	—	2.1
1890	16.5	9.5	3.1	—	19.5	7.6	2.5	—	—	5.3
1910	17.2	6.0	0.2	—	18.4	7.4	8.1	—	—	5.9
1935	21.0	1.3	—	—	13.5	8.5	14.5	—	—	12.3

B. Imports (%)

	Cotton yarn	Cotton goods	Metals	Machinery	Railway material	Mineral oils
1828	7.8	22.0	16.0	—	—	—
1850	9.0	31.5	16.8	—	8.1*	—
1870	10.0	47.0	8.1	—	4.4	—
1890	5.2	37.9	8.4	3.0	4.5	3.3
1910	2.3	31.2	11.2	3.7	4.6	2.5
1933	2.3	13.1	8.2	11.1	—	5.1

* 1860.

Sources: Part A: Chaudhuri 1983: tables 10.10 and 10.11; Part B: Chaudhuri 1983: tables 10.17 and 10.18.

Table 6.1 Composition of revenue and expenditure

A. Composition of revenue, 1858–59 to 1940–41 (%)

	1858–59	1870–71	1900–1901	1921–22	1930–31	1940–41
Land revenue	50.0	40.0	53.0	27.0	23.0	19.0
Customs	8.0	5.0	9.0	30.0	36.0	–
Excise	4.0	6.0	10.0	14.0	13.0	16.0
Income tax	0.3	4.0	3.0	15.0	12.0	19.0
Salt	7.0	16.0	16.0	5.0	5.0	5.0
Opium	17.0	12.0	–	–	–	–
Others	13.0	18.0	9.0	10.0	11.0	13.0

B. Share of expenditure against revenue, 1884–1935 (%)

	Civil administration	Army	Famine relief	Railways	Irrigation
1884–85	16	24	2	18	3
1894–95	16	25	3	25	3
1904–05	16	30	1	16	4
1918–19*	19	37	1	11	3
1924–25*	27	29	1	14	2
1934–35	30	22	1	16	3

* All spending on civil administration.

Sources: Part A: Kumar 1983: tables 12.4 and 12.7; Part B: India, Commercial Intelligence Department.

Table 6.5 Share of British capital exports by recipients, 1865–1914 (%)

	Share of total	Share of capital exports by category					
		Government	Railways	Public utilities	Financial	Mines and plantation	Industry
USA [*]	21	3	40	30	18	11	31
Canada	10	5	13	9	9	4	14
Argentina [*]	8	9	16	12	6	0	5
Australia	8	15	0	5	13	11	4
India	8	10	10	4	2	5	2

* Outside the Empire.

Source: Stone 1999: statistical tables.

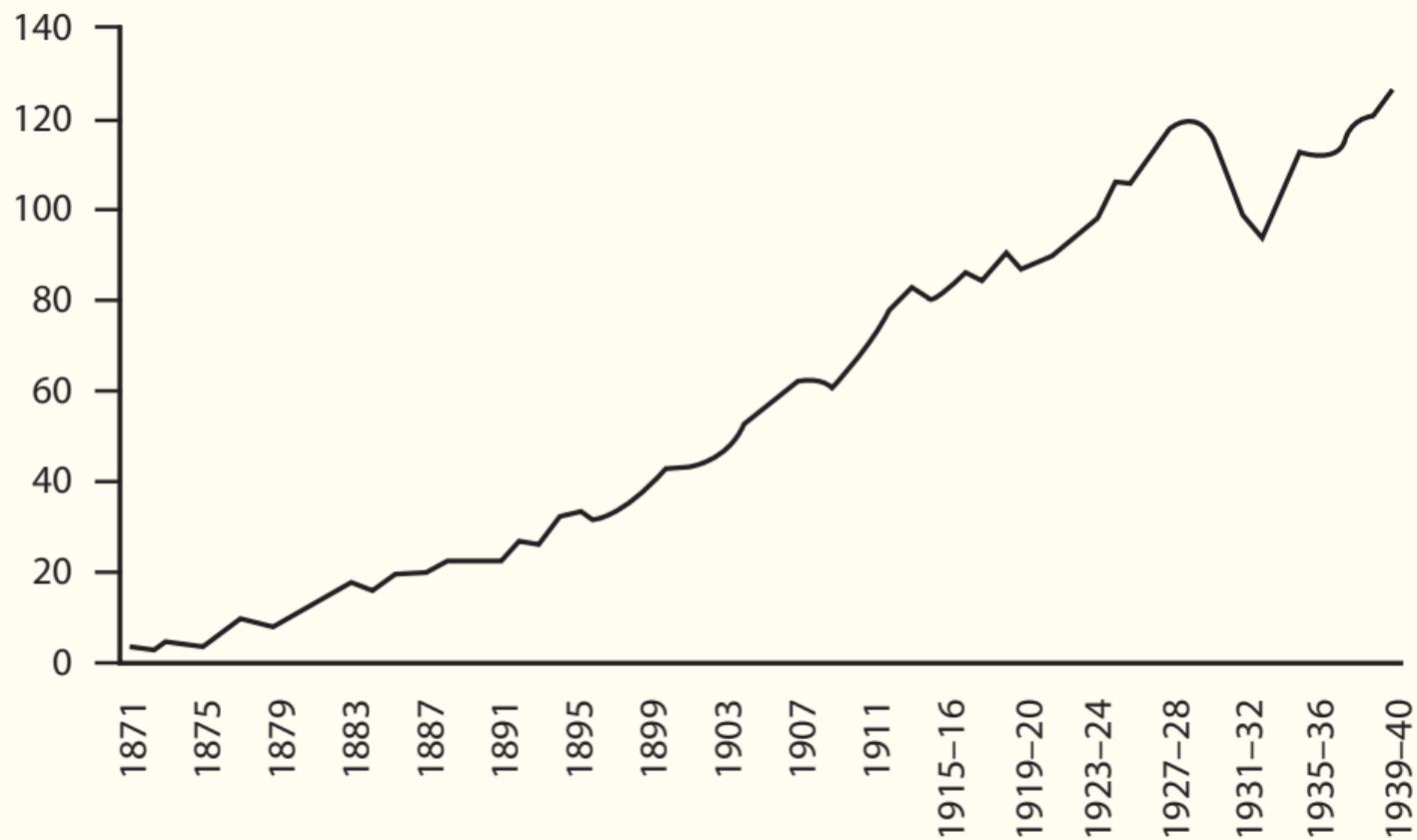


Figure 3.2 Goods handled by railways (million tonnes)



Table 12.1 British India and the states, 1905

	British Indian districts (201)	Princely states (198)
1 Population, average per unit	968,764	318,865
2 Area, average per unit (square miles)	3891	3171
3 Population density	425	199
4 Cultivated area/total area (per cent)	52	20
5 Rainfall, annual (inches)	60	42
6 Total revenue per capita (Rs)	2.05	4.34
7 Total revenue per square mile (Rs)	425	386
8 Land revenue per square mile of cultivated area (Rs)	1060	899
9 Proportion of non-agricultural to total revenue (per cent)	36	47
10 Roads (miles of paved road per 1000 square miles)	49.3	14.6
11 Railways (miles per 1000 square miles)	6.5	6.0
12 Size of the largest town as a ratio of population, per cent (size shown in bracket)	4 (38,634)	4 (13,334)
13 Literacy rate	4.3	3.5

Source: India, *The Imperial Gazetteer of India*, vols 1–31 (Oxford: Clarendon Press, 1908). The figures are population-weighted or area-weighted averages as appropriate.



THE FIRST INDIAN NATIONAL CONGRESS, 1885.

The Ottoman Empire

AN
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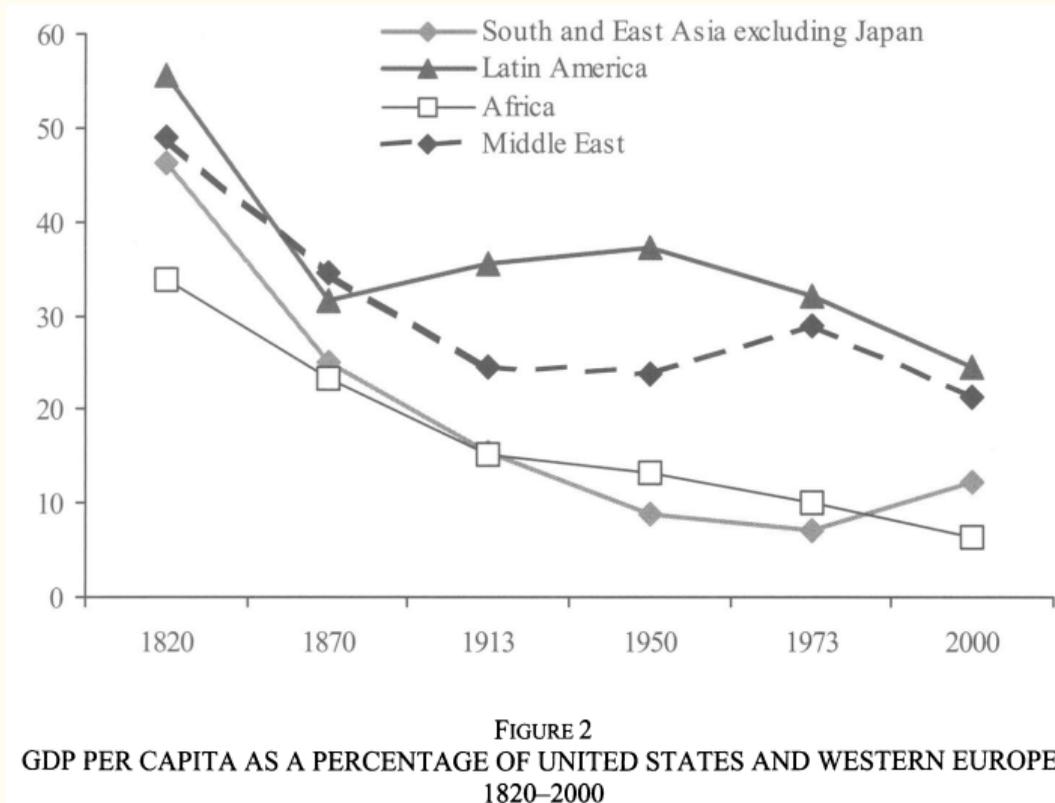
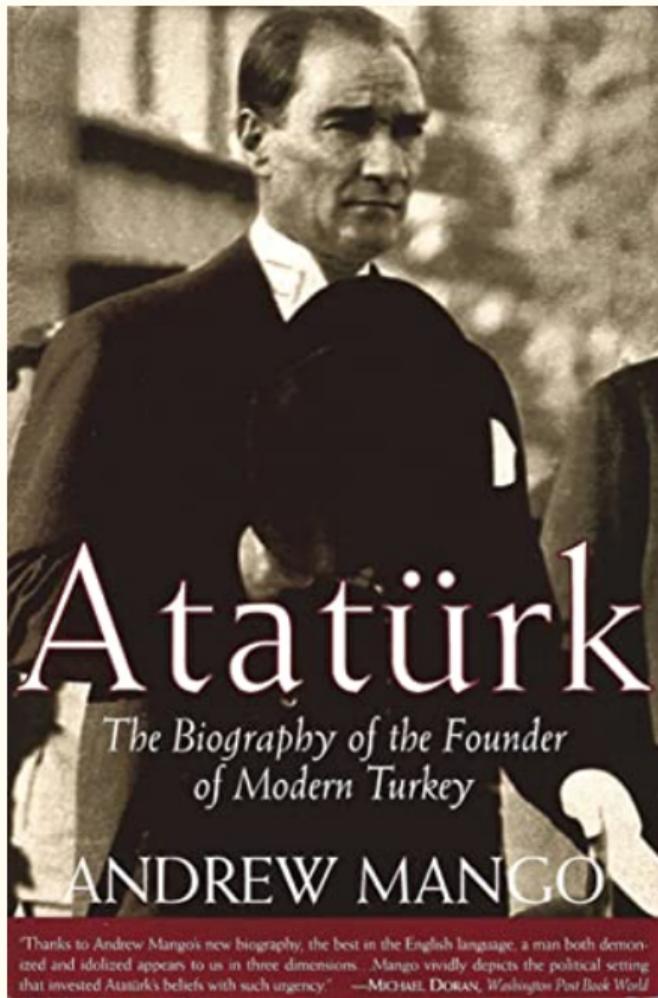


TABLE I
ECONOMIC GROWTH IN THE MIDDLE EAST SINCE 1820

	GDP Per Capita (1990 PPP dollars)						Annual Change in GDP Per Capita (percentage)				
	1820	1870	1913	1950	1973	2000	1820–1870	1870–1913	1913–1950	1950–1973	1973–2000
Turkey	680	880	1,200	1,600	3,477	6,597	0.5	0.7	0.8	3.4	2.4
Syria	680	880	1,300	1,400	2,345	4,364	0.5	0.9	0.2	2.2	2.3
Lebanon	680	950	1,450	2,429	3,155	3,409	0.7	1.0	1.4	1.1	0.3
Jordan	550	700	1,000	1,663	2,389	4,059	0.5	0.8	1.4	1.6	2.0
Palestine-Israel	650	850	1,200	1,992	7,704	12,292	0.5	0.8	1.4	6.1	1.7
Israel				2,817	9,645	16,159				5.5	1.9
West Bank and Gaza				949	2,184	5,124				3.7	3.2
Egypt	600	750	1,050	1,050	1,294	2,920	0.4	0.8	0.0	0.9	3.1
Saudi Arabia	500	520	600	2,231	11,040	8,002	0.1	0.3	3.6	7.2	-1.2
Gulf	600	700	900	17,730	24,533	11,974	0.3	0.6	8.4	1.4	-2.6
Iraq	550	600	800	1,364	3,753	1,221	0.2	0.7	1.5	4.5	-4.1
Iran	550	600	800	1,720	5,445	4,742	0.2	0.7	2.1	5.1	-0.5
Middle East	611	744	1,023	1,592	4,057	5,023	0.4	0.7	1.2	4.2	0.8
United States	1,257	2,445	5,301	9,561	16,689	28,129	1.3	1.8	1.6	2.5	2.0
Western Europe	1,245	2,086	3,688	5,013	12,159	19,806	1.0	1.3	0.8	3.9	1.8
U.S. and W. Europe	1,246	2,159	4,172	6,711	14,029	23,680	1.1	1.5	1.3	3.3	2.0

- Kemal Atatürk (c. 1881-1938) is the most radical modernizer.
- Creator of modern Turkey.
- Even changes language.
- Strong economic nationalism program.
- Mixed results.





Modernizing regimes

- Karl Marx missed the main force of the 20th century: it was not class struggle but nationalism.
- Japan first, but specially Atatürk in Turkey are the first examples of modernizing nationalist regimes.
- Even today, this is an extremely powerful force.
- Failure of nationalist movement: the Arab world. Nasser, Baath party.
- We will revisit this issue when we talk about the experience after WWII.