

GROUP 10

THE WEALTH AND POVERTY OF NATIONS

DAVID S. LANDES

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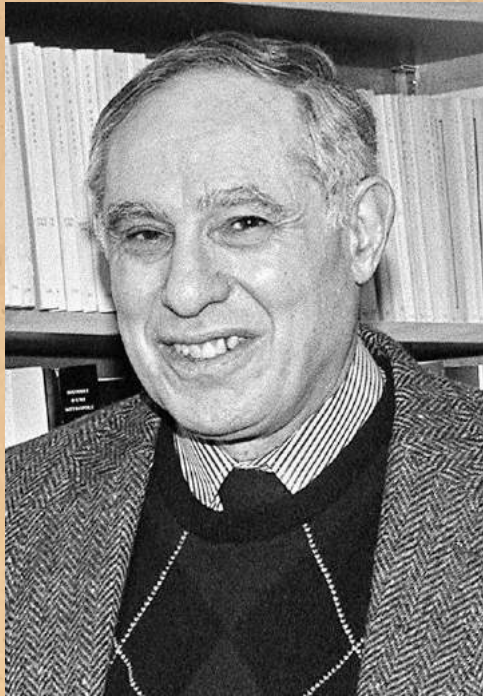
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Eastward Ho!

07

From Discoveries to Empire





“On a map of the world in terms of product or income per head, the rich countries lie in the temperate zones, particularly in the northern hemisphere; the poor countries, in the tropics and semitropics.”

—**DAVID S. LANDES**



01

Nature's Inequalities



The Impact of Geography

- Geography and natural resources are important factors in a country's economic success. Some parts of the world, such as Europe and East Asia, have more advantageous agricultural, commerce, and industrial circumstances than others
- Climate, illness, and other environmental conditions may have a significant influence on the health, production, and social structure of a civilization
- The availability of essential resources such as coal, iron, and oil has been a crucial role in some countries' industrial growth



The Impact of Geography



- Culture, technology, and institutional elements may all influence how a society reacts to its surroundings and grows economically
The work in tropical medicine also faced difficulties in political and anthropological criticisms, even "perfectly reasonable" public health interventions may upset indigenous sensitivities
- The chapter also discusses the influence of colonialism and imperialism on regional economic growth, claiming that these elements cannot be understood in isolation from the larger geographical and ecological environment in which they happened.



02

**Answer to Geography
Europe and China**



DIFFERENCES

Europe

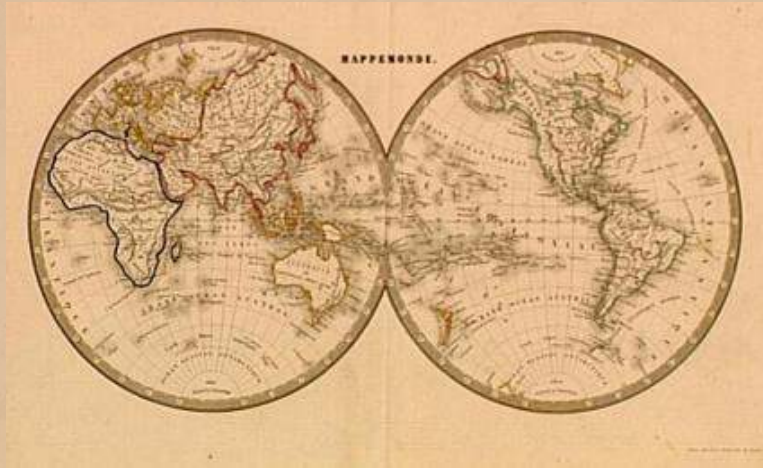
- **Culture:** cultural factors, such as the willingness to take risks and experiment with new ideas, played a significant role in Europe's economic development
- **Institution:** Europe's institutions, such as its legal and financial systems, were more conducive to economic growth than China's institutions. The legal and financial systems in Europe encouraged risk-taking and innovation
- **Geography:** Europe's varied landscape and navigable rivers allowed for greater trade and commerce within Europe and with other regions: Navigable rivers such as Rhine, Danube, Seine; Coastal access



China

- **Culture:** China's emphasis on stability, tradition, and conformity stifled innovation and economic growth
- **Institution:** Lack of property rights and weak financial institutions in China hindered economic growth
- **Geography:** China's geography made it more difficult to trade with other region:
 - China is geographically isolated from other major civilizations by mountains, deserts, and oceans
 - China's geography made it more vulnerable to invasion and conquest by neighboring civilizations, such as the Mongols and other Central Asian tribes

★ Conclusion of the chapter ★



- European model of economic growth provides valuable lessons for other regions seeking to achieve sustained economic growth. He suggests that the right combination of culture, institutions, and geography can promote economic growth and prosperity
- Key factors that explain why Europe and China developed differently: resources, culture, institutions, and geography



European Exceptionalism

A different path

03



3.1. The end of invasion

When

In the **10th century**, Europe was just coming out of a long torment of invasion, plunder, and rapine, by enemies from all sides (Vikings, Moors, Hungarians).

How

- The people: **let** them **in**, **trapped** them, **fell on** them from all sides.
- The Kings: A mix of **threat** and **reward** to persuade that shearing sheep at home > killing sheep abroad

Results

- Direct: tribes were **domesticated**
- Indirect: launched Europe on the path of **growth** and **development**
Classical economists' view: increase is natural and will occur wherever opportunity and security exist



3.2 The legacy of ancient Greece and Rome



Legacy

A rich heritage of philosophy, science, law, art, and literature



Impact

A fostered spirit of inquiry, rationality, and creativity, as well as a sense of historical continuity and identity



3.3 The influence of Christianity

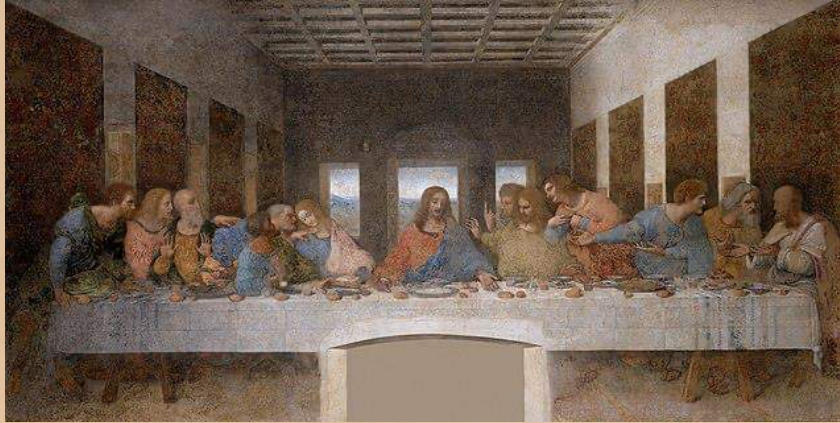


Figure: The Last Supper

Christianity **shaped** the *moral* and *ethical* values of Europeans, as well as their *institutions* and *practices*.

Christianity also **encouraged** *literacy*, *education*, *charity*, and *social reform* among Europeans, as well as a sense of *universalism* and *human dignity*.

3.4 The emergence of feudalism and manorialism

Creation of a ***decentralized*** and ***diversified*** system of

- land tenure,
- labor relations, and
- political authority

Results:

- A degree of ***local autonomy***, self-government,
- Experimentation ***balance of power*** between lords and peasant

“

THE VASSAL RECEIVED ANY INCOME FROM THE LAND, HAD AUTHORITY OVER ITS INHABITANTS & COULD PASS THE SAME RIGHTS ON TO HIS HEIRS.

3.5 The rise of towns and cities



Role

Centers of commerce, industry, finance, culture, and learning

Impacts

Stimulated economic growth, social mobility, civic participation, and intellectual exchange

3.6 The development of representative institutions and the rule of law

- A **tradition** of constitutionalism, democracy, and civil rights
- **Limitation** on the power of kings and nobles





04

**The Invention of
Invention**



Cultural factors affect a nation's economic success



Religion

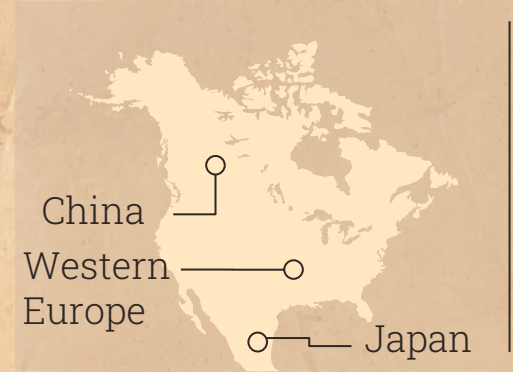


Attitudes towards
work and innovation



Level of trust in society

Location



Western Europe

The importance of the Protestant work ethic and scientific inquiry in Western Europe's economic ascendancy

China

The role of Confucianism in promoting education and diligence

Culture is not the only factor

Negative Impacts

- Hindering innovation
- Taking away individual freedoms

No formula

- Appreciation for diversity and the acknowledgment

Other factors

- A blend of different factors creates a unique blend for development
- The importance of historical and cultural forces in shaping economic differences across nations

Some questions

- Not proper attention to the structural factors
- Treats cultural practices as static entities





05

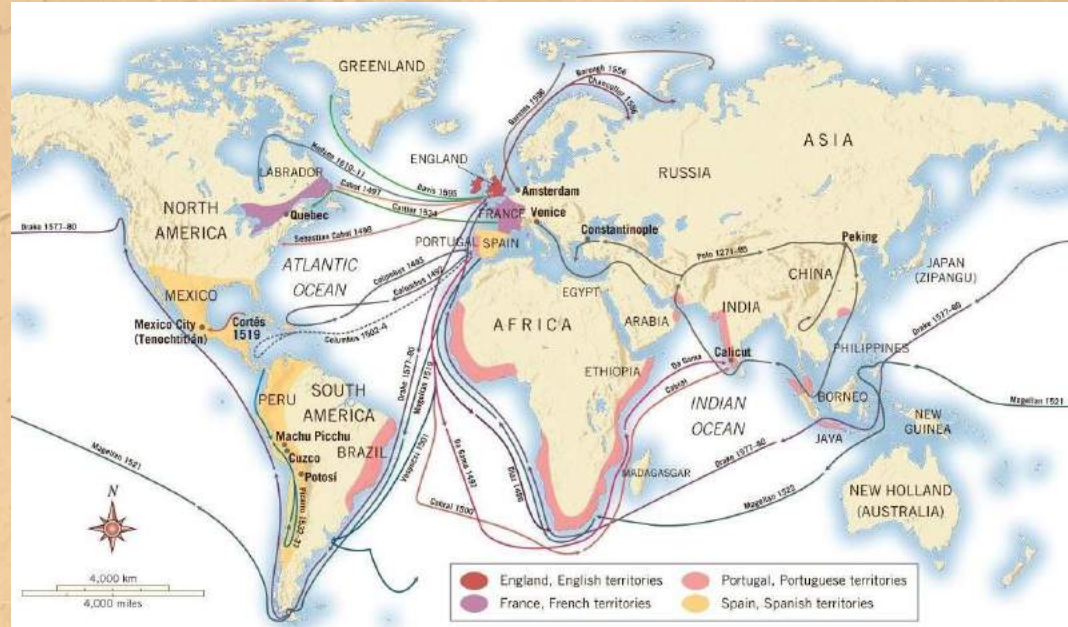
**The Great
Opening**



Europe expansion in 16th and 17th century



Christopher Columbus



Factors contributing to Europe's rise to power



Technological innovation

- Significant advances in mathematics, astronomy, physics, and chemistry paving the way for the **Industrial Revolution**



Military superiority

- Technological innovation gave European a **distinct military advantage**
- Europe was enabled to **conquer new territories** and **establish trading relationships**



Political organization

- **pool their resources and cooperate** in ways that other regions could not.
- **finance expensive expeditions** and establish trading networks that spanned the globe.
- **developed legal systems and institutions** that supported trade and commerce, paving the way for the **rise of capitalism.**

Consequences



Positive

Significant improvements in living standards and **economic growth** in Europe and other regions that participated in the global economic system



Negative

- **Exploitation** and **subjugation** of many non-European peoples and cultures
- **Environmental degradation** and **resource depletion**



**Eastward
Ho!**

06



China

- Ming Dynasty in China, which he explains was a time of great prosperity and growth in the country.
- The Chinese were responsible for many important technological advancements, including the invention of gunpowder, the printing press, and the compass.
- However, the Ming Dynasty was eventually weakened by a combination of factors, including corruption, political instability, and a lack of innovation.






Paper Making (105 A.C)

Japan



A Black Ship of Commodore Perry, who forced Japan open to trade with the outside world.

- A "closed" society
- Resistant to outside influences, but eventually became more open to trade and cultural exchange.
- Japan's success was due to the efforts of the shogun, who worked to centralize power and promote economic growth.
- Japan's isolationist policies prevented it from fully participating in the global economy, and that this contributed to its decline in the 19th



Overall, Landes suggests that China and Japan both had the potential to become global economic powers during the early modern period, but were ultimately unable to keep up with the rapid changes occurring in Europe. This was due political instability, corruption, and a lack of openness to outside influences.



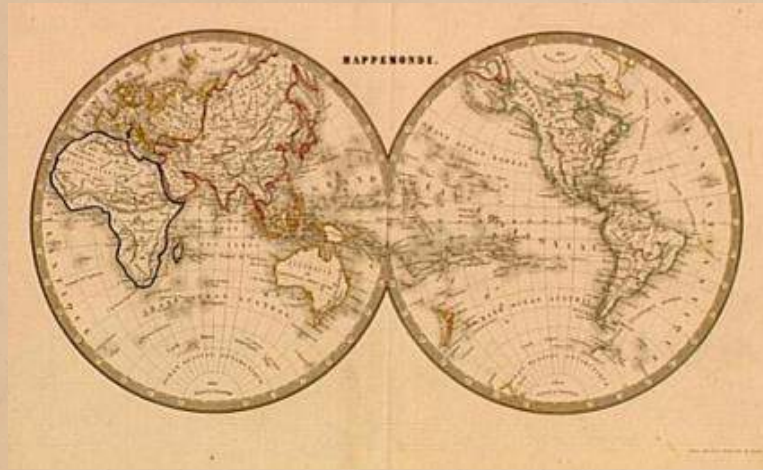


07

**From Discoveries to
Empire**



★European exploration and colonization★



Key Innovations

European explorers used many innovative technologies to aid their expeditions, such as improvements to shipbuilding, navigation, and weaponry. The development of new ships like caravels, galleons, and carracks enabled faster and safer sea travel. Advancements in navigation tools such as quadrants, compasses, and astrolabes made it easier to determine position and chart new territories. Firearms were also introduced, giving European soldiers an advantage over opponents who were not equipped with such advanced weaponry.

Economic Motives

European expansion was driven by the desire to access new markets and resources for the purpose of expanding trade and manufacturing. Colonizers sought new territories for commercial ventures and raw materials for their factories back in Europe. They also sought to create new markets for their goods, which helped to fuel their economic growth.



Christopher Columbus






Negative Consequences

The effects of European colonization had widespread negative impacts, including the enslavement and exploitation of indigenous peoples, the spread of disease and epidemics, and the destruction of existing social and political structures. This also led to the displacement of millions of people, loss of cultural heritage, and physical and emotional scars still felt today.



Continuing Impact

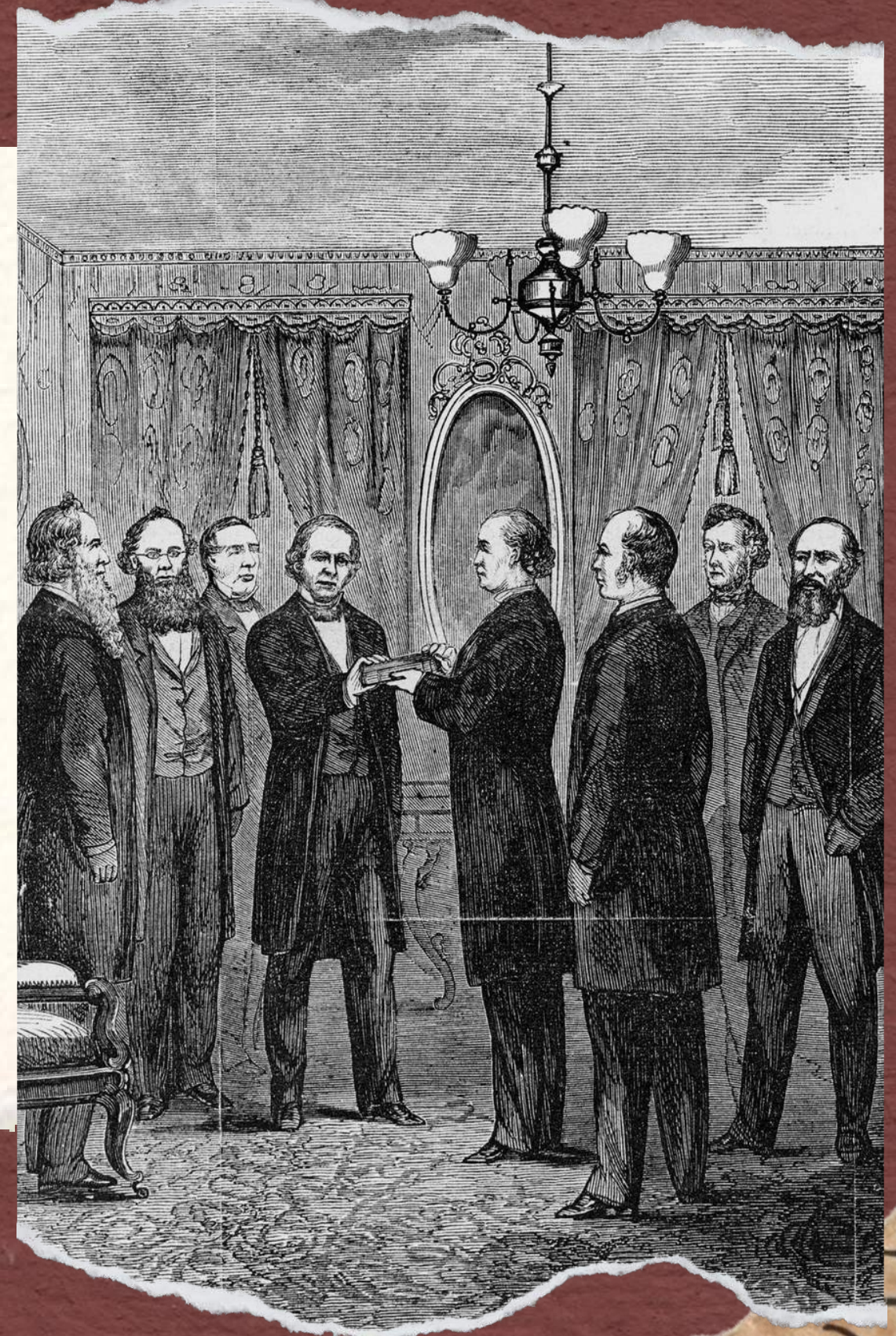
The effects of colonization can still be felt in many regions and countries worldwide. Colossal inequalities, such as poor access to quality education, inadequate healthcare, low income, and social unrest, are symptoms of former colonization. Even centuries later, the legacies of colonization can still cause conflicts, tensions, and discrimination.



World History - Dr. Pham Thi Cam Anh

THE WEALTH AND POVERTY OF NATIONS

Group 12



CHAPTER 8: BITTERSWEET ISLES



1. Shift in Spanish Interests and the Rise of Sugar Plantations in the Caribbean

2. Exploitation and Missed Economic Potential in the Caribbean

3. Sugar Industry Dominance and Its Consequences



Shift in Spanish Interests and the Rise of Sugar Plantations in the Caribbean



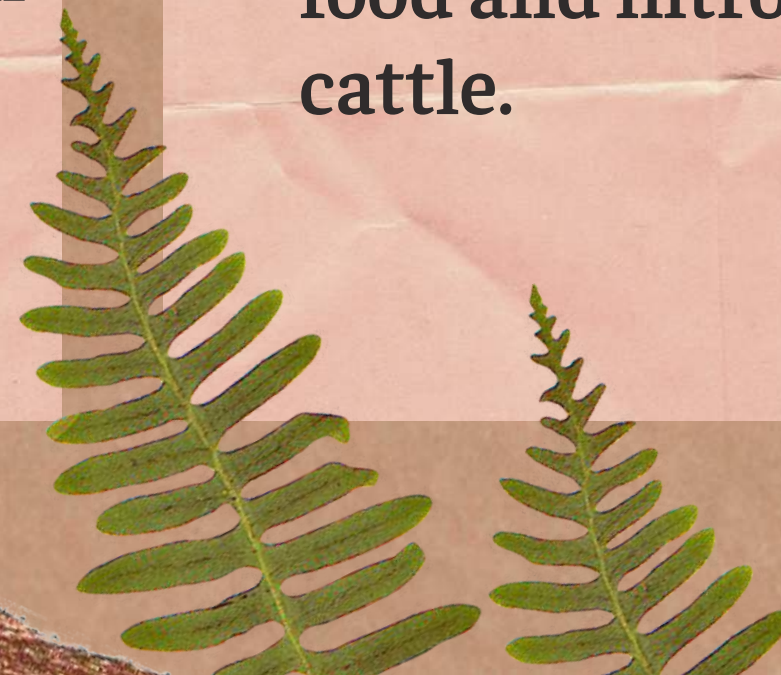
- Spanish conquistadors focused on the Caribbean islands for gold and elimination of native populations.



- Importation of European food and introduction of cattle.



- Spanish lost interest in the Caribbean, turned attention to settling the mainland as nobles and landowners.

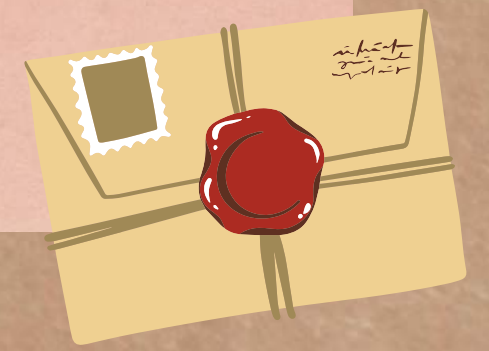


Exploitation and Missed Economic Potential in the Caribbean

- Spanish colonization in the Caribbean based on exploiting indigenous people.

- Portuguese and Dutch took the lead in sugar plantations in Brazil and African-Atlantic islands.

- Dutch gained control over some islands in the Lesser Antilles.



Sugar Industry Dominance and Its Consequences

English established settler colonies, transitioned to sugar production for higher profitability.

Concentration of landholding, replacement of indentured servants with African slaves.

French involvement in the Caribbean, Haiti (Saint-Domingue) as a significant sugar producer.

Slave uprising in Haiti resulted in the deaths of all white inhabitants on the island.



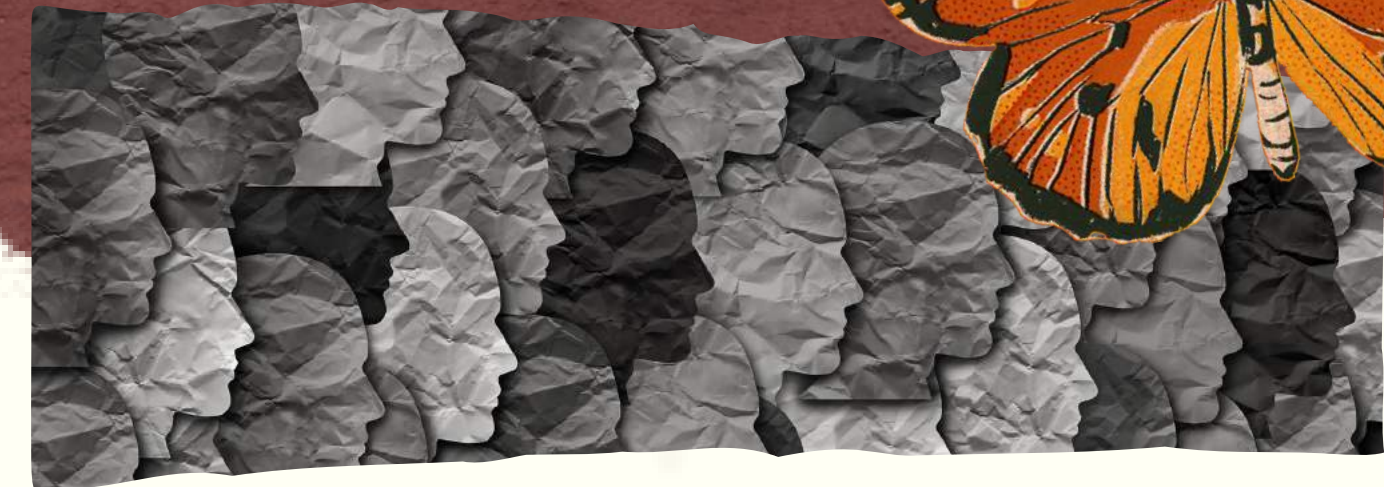
1 *Portugal's
Expansion and
Empire-
Building in the
15th Century*

2 *Key Aspects of
Portuguese
Expansion*

3 *Challenges and
Decline of
Portuguese
Dominance*

CHAPTER 9: EMPIRE IN THE EAST





**PORTUGAL'S
EXPANSION AND
EMPIRE-BUILDING
IN THE 15TH
CENTURY**

Despite being a small country with limited resources, Portugal managed to establish a far-reaching network of dominion from Brazil to the Far East.



KEY ASPECTS OF PORTUGUESE EXPANSION

1. *Enterprise and Pragmatism:*

- The Portuguese were known for their enterprise and toughness, overcoming their limitations to expand their dominion.
- They drew in outsiders for their money, know-how, and labor, demonstrating a pragmatic approach to achieve their goals.
- Engaging in trade, utilizing slaves as workers and fighters, and embracing miscegenation were among their strategies.





2. Role of Religion:

- (1) Religion played a significant role in Portuguese exploration, with priests and friars accompanying them on voyages.
- (2) The presence of religious figures ensured safety, propagated the faith, and offered personal salvation.
- (3) However, religious commitment also led to conflicts with Muslims, resulting in wars and a reputation for brutality.

CHALLENGES AND DECLINE OF PORTUGUESE DOMINANCE



1

Competition from European Powers:

Over time, the Portuguese faced challenges from other European powers, such as the Dutch and English.

These powers entered the trade and colonial expansion arena, gradually diminishing Portuguese dominance.

The competition posed obstacles to Portugal's continued expansion and influence.

CHALLENGES AND DECLINE OF PORTUGUESE DOMINANCE



2

Loss of dominance in spice trade

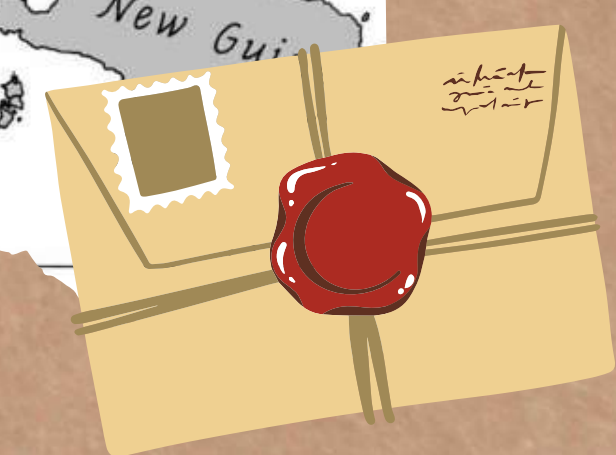
Spices, particularly pepper, held immense value in European trade for their ability to preserve and flavor food.

Seeking direct access to spices from Asia, the Portuguese bypassed traditional trade routes, leading to conflicts with Muslim merchants.

Unfortunately, the Portuguese gradually lost their dominance in the spice trade, which had significant economic implications.

Chapter 10

For Love of Gain



THIS CHAPTER COVERS

HOLLAND

The Netherlands
in the 16th
century

COLONIAL ADVENTURE

Voyages of
exploration and
trade

COUNTRY TRADE

Operation of the
Dutch East India
Company (VOC)

COMMAND ECONOMY

The downfall of
the VOC



HOLLAND

Dutch in 16th & 17th century

Dutch was the most important industrial-commercial center of Europe

Became a political pawn

Spain, under Charles V, gained control of Holland

Conflicts and rebellion

Spain enforced Catholicism & control the Low Countries led to a rebellion

Capital of the confederation

The rebellion resulted in the independence of the Northern provinces, Amsterdam became the capital



COLONIAL ADVENTURE



SEAFARERS & TRADERS

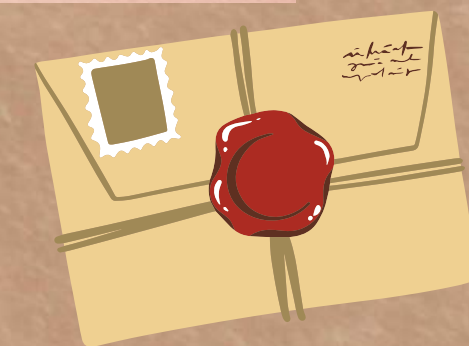
Spain's annexation of Portugal and the closing of ports to Dutch ships in 1585 led the Dutch to become seafarers and traders

VEREENIGDE OOST-INDISCHE COMPAGNIE (VOC)

The Dutch then began voyages of exploration and trade, leading to the formation of VOC

CHALLENGES & MAKING PROFITS

- Duplicitly, competition & piracy
- Maximize profits by excluding competitors, controlling prices



COUNTRY TRADE

ENGAGEMENT

- Engaged in commerce and trade particularly in the East Indies
- Political rivalries, competition with European powers

DOMINANCE

- Exclude competitors, maintain profit differentials, territorial conquests
- Main base in Batavia, influence over various regions

CONFLICTS

- Battles against Portuguese, Spanish, and English forces
- Engaged in piracy and preemptive strikes

PROBLEMS

- Corruption and self-serving behavior
- Monopolistic practices



COMMAND & ECONOMY



COMMAND

- Command economy turned the archipelago into a large plantation
- Monopolistic practices led to significant distortions

DOWNFALL

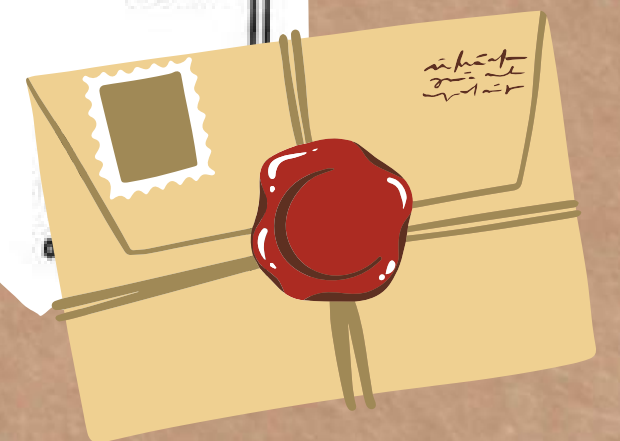
- High dividends despite falling trade volume and profits
- Political complications accelerated the downfall

INDEPENDENCE

- Maintained control until World War II
- Granted independence in 1949, leading to the formation of the Indonesian republic

Chapter 11

Deception, Drama & The Dawn of an Empire



1. A Glittering Spark

2. Intruders Turn Traders

3. Tides of Power

4. Shattered Trust

5. The Great Deception

**6. The East India
Company: Rise
from the Ashes**

7. Unveiling Hidden Lessons



1.A Glittering Spark: The English seizure of the Portuguese ship, *Madré de Deus*, initiates a fervent interest in Eastern riches, prompting an era of exploration and colonialism.

2.Intruders Turn Traders: The English and Dutch transform from pirates to traders in the Indian Ocean, establishing strongholds, forming alliances, and later using force to protect interests.

3.Intruders Turn Traders: The Mughal Empire's decline offers foreign powers an opportunity to interfere in Indian politics and governance.



4. Shattered Trust: The English seizure of the Portuguese ship, *Madré de Deus*, initiates a fervent interest in Eastern riches, prompting an era of exploration and colonialism.

5. The Great Deception: The English and Dutch transform from pirates to traders in the Indian Ocean, establishing strongholds, forming alliances, and later using force to protect interests.

6. The East India Company: Rise from the Ashes: The Mughal Empire's decline offers foreign powers an opportunity to interfere in Indian politics and governance.

Unveiling Hidden Lessons: Historian Macaulay critiques Clive's tactics, raising probing questions about honesty, betrayal, and the rise and fall of empires.

SOUTHERN EUROPE (SPAIN, PORTUGAL, ITALY)



New World is an invitation to wealth, pomp, and pretension - an older way of doing thing

Spain and Portugal had the capital thanks to the empire, but

- Spain chose to spend—on luxury and war (most wasteful of uses, destroys rather than builds)

- Inevitable unevenness and shortage of resources lead to ruthless irrationality, which simply increases costs

=> Spain spent all the more freely because its wealth was unexpected and unearned.

Spain had money so it didn't learn to make products and was efficient in doing so.

Meanwhile, the wealth of the Indies went less and less to Spanish industry because the Spanish did not have to make things any more (they buy them).

In the mid seventeenth century, the Spanish crown was deep in debt, with bankruptcies in 1557, 1575, and 1597 -> The country entered upon a long decline

=> Easy money is bad for you.

- They indulged their penchant for status, leisure, and enjoyment

- They have easy riches, unearned wealth.

=> Portugal and Spain ended up as the biggest losers

NORTHERN EUROPE (BRITAIN, HOLLAND)



New World is a chance to do new things in new ways, to catch the wave of technological progress

Their own empires in the New World are not endowed with gold and silver.

- They focus on investing in production

- Looting and pillaging when the opportunity offered, but they also built largely on renewable harvests and continuing industry rather than on depletable minerals

=> Britain and Holland become richer and soon toward Industrial Revolution

- Europe's shift in economic gravity northward obviously transcends the inglorious Spanish fiasco.

- They did the work learned and kept good habits, while seeking new ways to do the job faster and better

- They built on work.

=> Britain and Holland took over the crown

Reasoning behind the direction of the two sides leads to some fall from high estate and others rise?

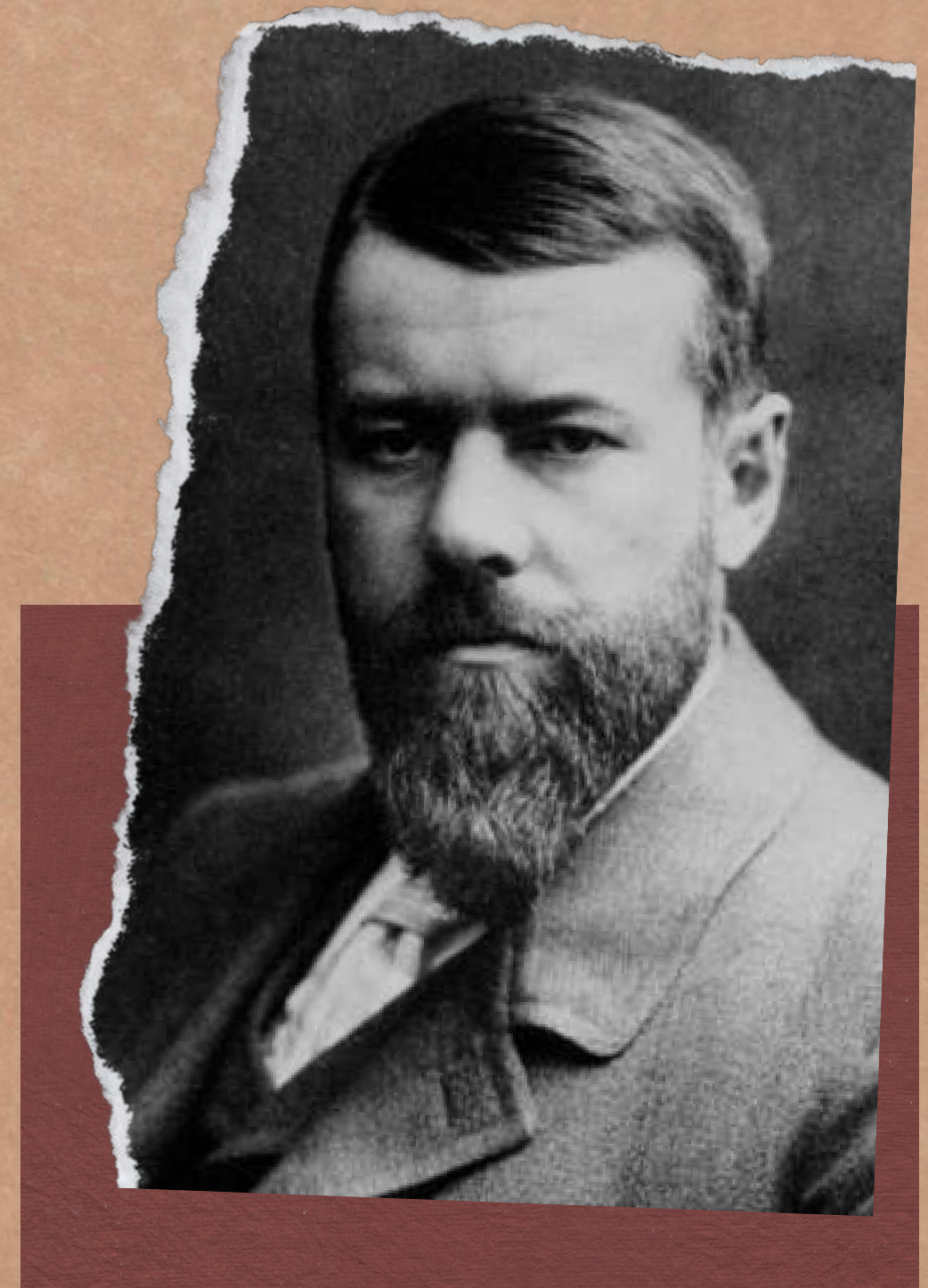
The most provocative explanation is the one offered by the German social scientist Max Weber.

PROTESTANTISM (CALVINIST BRANCH)

- Promoted the rise of modern capitalism, that is, the industrial capitalism by defining and sanctioning an ethic of everyday behavior that conducted to business success
- Protestantism produced a new kind of businessman, a different kind of person, one who aimed to live and work a certain way.
- Help business and capital accumulation
- Do not aim at rich and riches were at best a by-product.

CATHOLIC

- Greater access of Church in Catholic countries to the older liberal professions and the governing bureaucracy, and hence their preference for a different kind of schooling.
- Much was dictated by the fears of the clerical hierarchy, by their distaste for the findings and paradigms of a science that negated religious doctrine



Max Weber
21/4/1864 - 14/6/1920

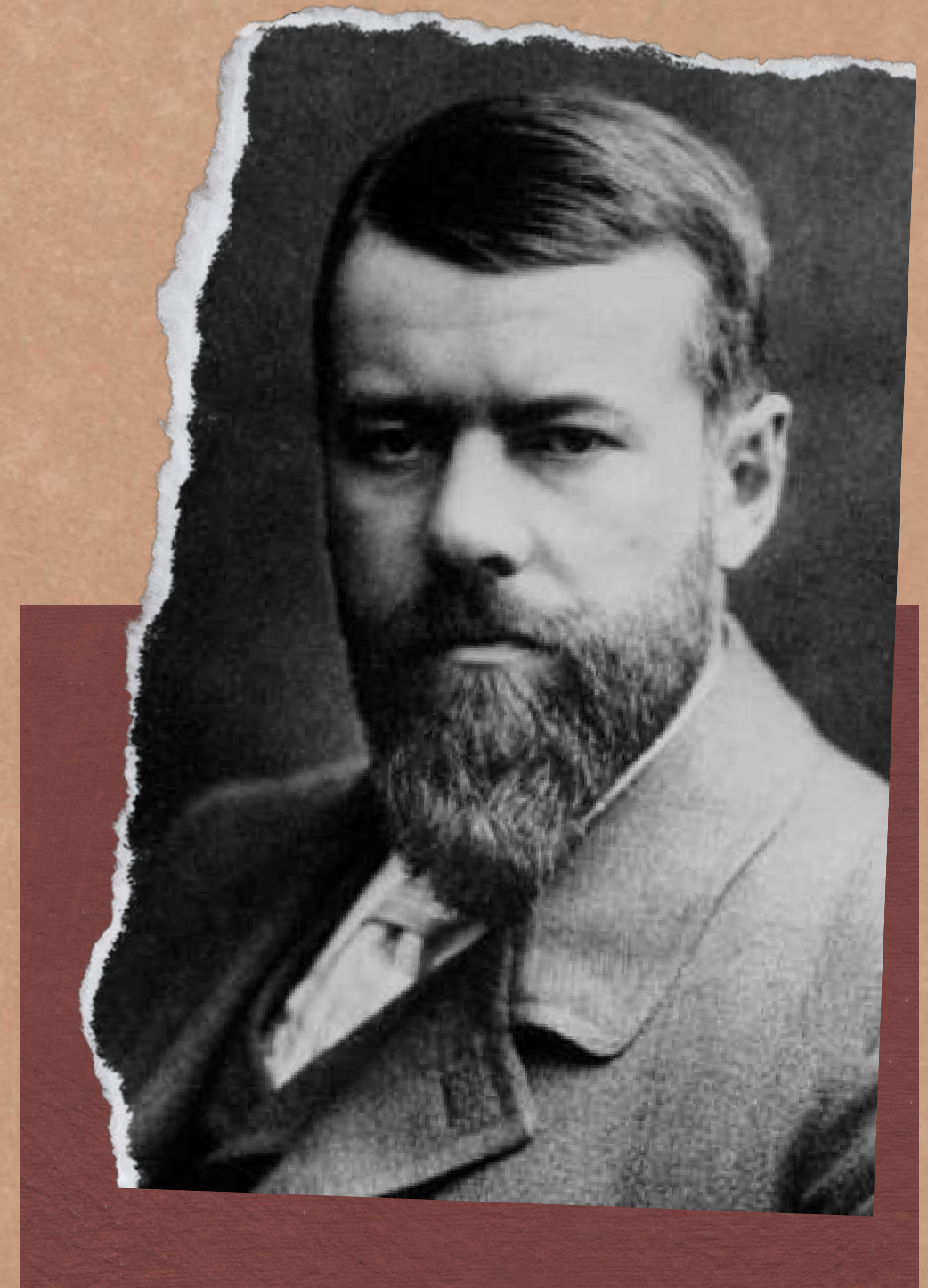
.. The same with the countries as well

PROTESTANTISM ((DEVELOP IN NORTHERN EUROPE)

- Gave a big boost to literacy, spawned dissents and heresies,
- Promoted the skepticism and refusal of authority that is at the heart of the scientific endeavor
=> Success toward Industrial Revolution

CATHOLIC COUNTRIES (SOUTHERN EUROPE)

- Religious passion and military crusade drove away the outsiders (Jews and then the conversos)
- Discouraged the pursuit of the strange and potentially heretical
- Instead of meeting the challenge, responded by closure and censure.
- Church and civil authorities joined to control thought, knowledge, and belief.
- Scientific works banned
=> Miss the train of scientific revolution



Max Weber
21/4/1864 - 14/6/1920

David. S Landes agreed with this idea:

- Empirical level: records show that Protestant merchants and manufacturers played a leading role in trade, banking, and industry.
- Theoretical level: The heart of the matter lay indeed in the making of a new kind of man—rational, ordered, diligent, productive. Protestantism generalized them among its adherents, who judged one another by conformity to these standards

He believes there are two characteristic of Protestantism reflect this outcome

(1) Instruction and literacy

- Good Protestants were expected to read the holy scriptures for themselves.
- Greater literacy and a larger pool of candidates for advanced schooling
- Greater assurance of continuity of literacy from generation to generation.

(2) Unobtrusive evidence: the making and buying of clocks and watches

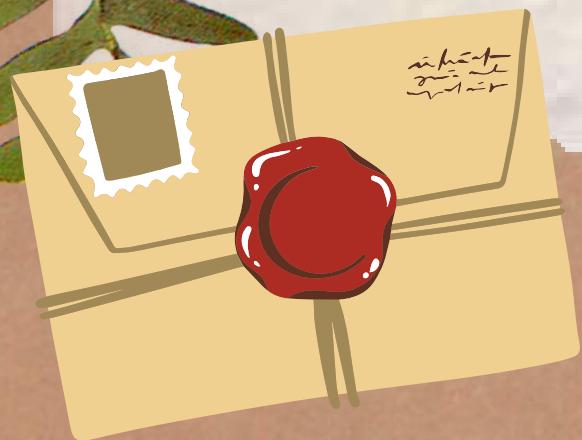
- Most clockmakers were Protestant
- The use of these instruments of time measurement and their diffusion to rural areas was far more advanced in Britain and Holland than in Catholic countries.
- Nothing testifies so much as time sensibility to the "urbanization" of rural society, with all that that implies for rapid diffusion of values and tastes.

=>"Ideal type" of capitalist could be found only among Calvinists and their later sectarian avatars

=> They created a new economy (a new mode of production) that we know as (industrial) capitalism.

Chapter
14

**WHY EUROPE?
WHY THEN?**



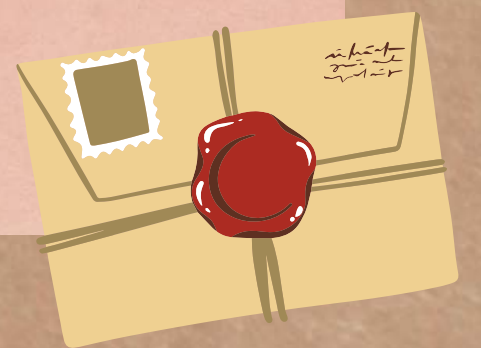
MAIN FINDINGS



The contribution of cultural, political, economic,... factors to Europe's success in industrialization

How these factors create the conditions necessary for the Industrial Revolution in Europe

The impact of the Industrial Revolution on the world



Aspects of European societies

Tradition of scientific inquiry developing since the Renaissance

Culture of innovation and entrepreneurship, followed by the traits of risk-taking and experimentation

Stable and secure political systems

Advantageous location with Asia's rich culture and trade networks and America's abundant natural resources

Their contribution to the Industrial Revolution

European citizens being interested in understanding the natural world
Advancements in fields such as chemistry, physics, and biology

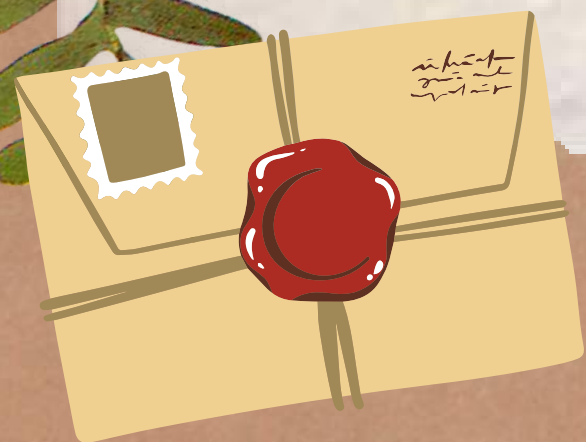
The development of new technologies and business practices being fueled

Investment in long-term projects like industrialization being encouraged

Experience and trade opportunities with both regions

WHY EUROPE? WHY THEN?

Although there were some negative factors in Europe's development (exploitation of colonies and the mistreatment of workers in factories), the Industrial Revolution was a positive transformative force that improved the lives of millions of people around the world.





The Wealth and Poverty of Nations

Group 14





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the Others

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to Make Money

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American Way

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Celestial Empire:
Stasis and Retreat

TBC

•••••





BRITAIN AND THE OTHERS

Big question: Why did Industrial Revolution happen in Britain, not any other country?

In Europe, early 18th century: Britain was well ahead:

- development in cottage manufacture, fossil fuels, textiles, iron

=> cores of industrialization

- efficiency in: commercial agriculture & transport

=> division of labor

BUT WHY?

Britain bore traits of a society that theoretically suits to pursue material progress and general enrichment.

- self-consciousness as a nation
- adaptability
- freedom and security

Besides:

- absence of irrational constraints (especially religious)
- consciousness of time & effort to save time



British Guards



Canterbury Cathedral

WHY NOT INDIA?

Role of different stakeholders

- the workers (spinners and weavers)
- the middlemen
- the European traders and chartered companies

Political considerations

Technological limitations

Social and cultural context



East India Company, London



British India

PURSUIT OF ALBION

Big question: How did other nations follow Britain?

1. Reactions of other countries
2. Theories of development
3. Factors determining Machine-readiness



Reactions of other countries

Change to the world

- the relations of nations and states
 - the goals and tasks of political economy: For reasons of power, if not of wealth, were transformed
- divided between one front-runner (Britain) and pursuers

Attention of commercial and political rivals: Spain, Holland, France

Fear of England's commercial power

Criticism of English commercial protectionism

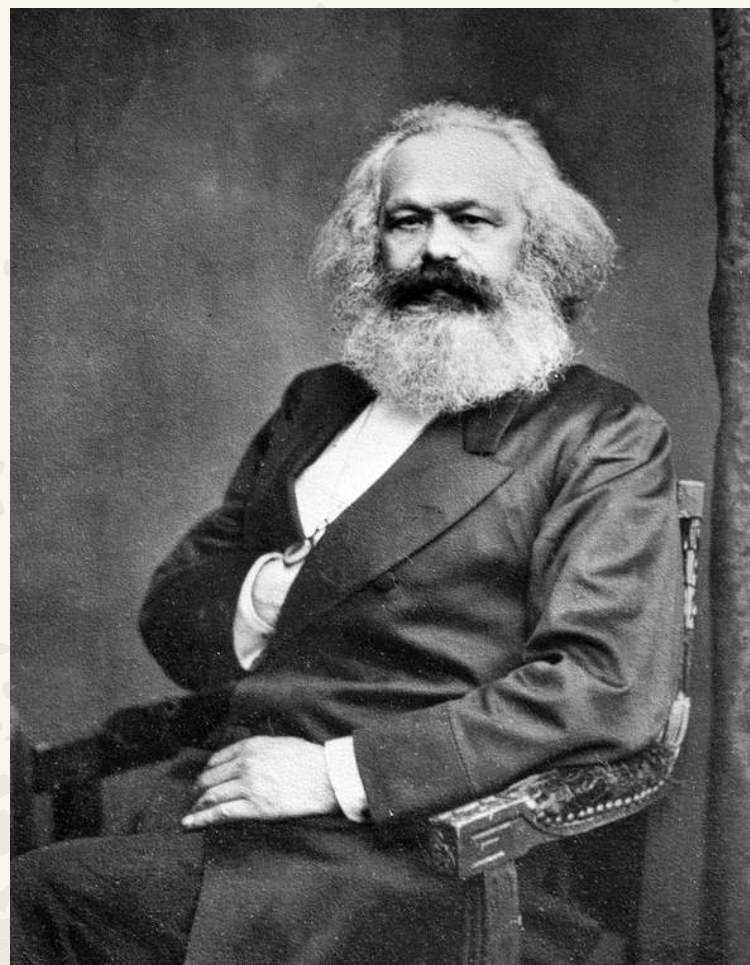
→ Britain became the principal target of emulation

However, obstacles prevented follower countries from catching up:

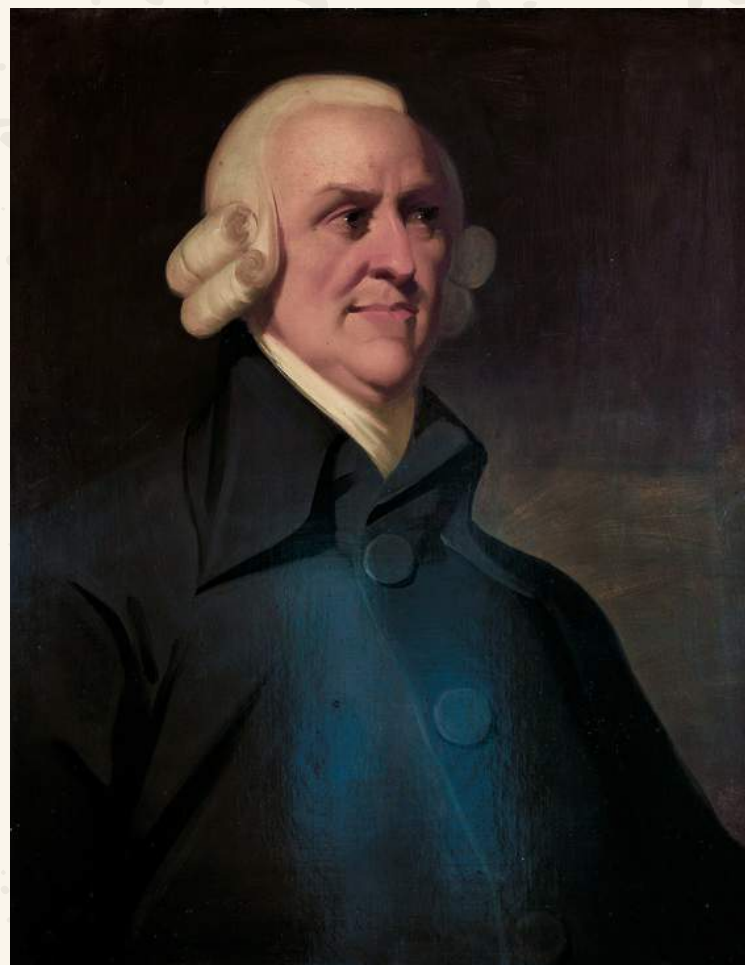
- inappropriate encouragements
- unreadiness of the countries themselves
- political turmoil



French Revolution



Karl Marx



Adam Smith

Theories of Development

“It is a question of these laws themselves, of these tendencies working with iron necessity towards inevitable results. The country that is more developed industrially only shows to the less developed, the image of its own future.” - **Karl Max**

Karl Marx: Capitalist production had its laws
Adam Smith's: "natural progress of opulence"
Landes (the author): no law of development

Factors determining Machine-readiness

In Europe of 1815:

- the machine-readiest societies lay in the northwest
- readiness decreased as one moved east and south
("developmental gradient")

WHY?

"the medieval legacy"

- the status of the peasantry
- the organization of manufacture
- boundaries and barriers in transport and travel

HOWEVER:

Disadvantaged countries can still catch up owing to **cultural preparation**: high levels of literacy, political stability and public order.

E.g. Scandinavian countries





You need money to make money

**Big question: How countries financed
their industrial revolutions?**

1. Personal investment
2. Financial intermediaries and private credit
3. Government assistance
4. International capital flows



Jean-Jacques Desandrouin



François de Wendel



Akinfiy Demidov



Prince Wilhelm Heinrich

1. Personal Investment

Wealth is accumulated in the upper classes:

1. Landowners: skeptical of Industry and Trade
2. Gentry and Aristocrats: provide the money
3. Bourgeois Partners: do the actual "dirty work"

2. FINANCIAL INTERMEDIARIES AND PRIVATE CREDIT

Formation of Private Banks Network

- capable of financing medium- and long-term investments in industry
- tend to discriminate by religion and culture

=> **Development banks**

French Crédit Mobilier

Germany Universal Banks



Headquarters of Crédit Mobilier



Darmstädter und Nationalbank

3. Government assistance

Internal affairs: West-East Gradient

=> Varying view of government's intervention

International trade:

From Protectionism to Liberalization

=> Most-Favored-Nation Principle

Case of Russia: Epitome of state-driven
development

=> October Revolution



Russo-Japanese War



October Revolution



4. International capital flows

Flows of capital

+ East to West

+ More to less developed

+ Spread of Industrial Revolution

Biggest Impediment:

Social, Cultural &

Technological Unreadiness



Eugène Schneider



Adolphe Schneider

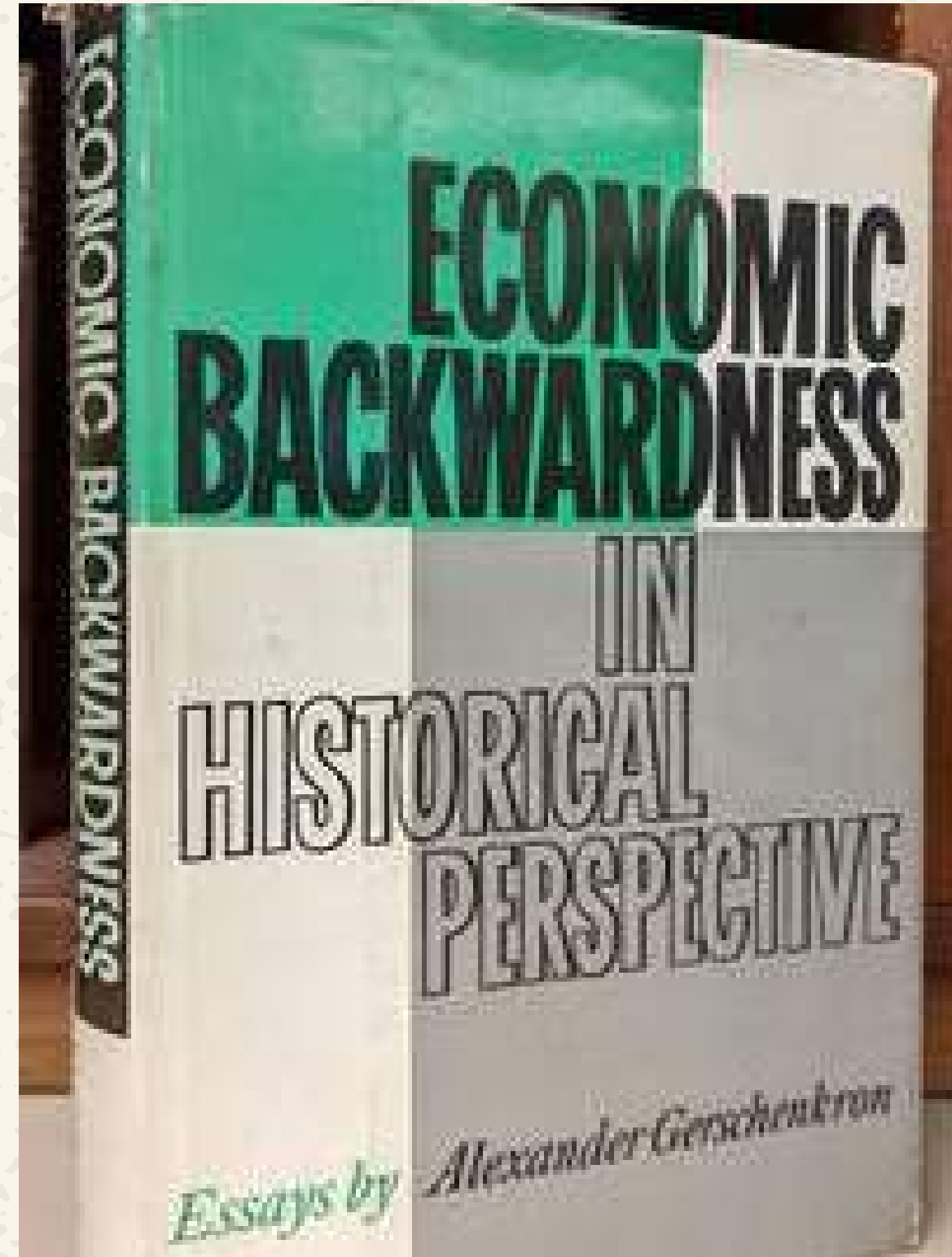
“None of this (marriage) was accidental, not even the romance”

Tales of Le Creusot

Story of How the Schneider brothers revitalize the Le Creusot's ironworks and Seillière bank through their clever alliances with wealthy merchants and influential families.



Alexander Gerschenkron



Economic Backwardness in
Historical Perspective

Chapter 18: The Wealth of Knowledge

DIFFUSION OF KNOWLEDGE



John Law

Government Agents



Matthew Boulton

Spy



John Cockerills



John Holker

Emigration: Brain Drain

- Division of Labor
- Solicitation of Emigrants: John Holker, the Cockerills

Chap 18: The Wealth of Knowledge

MARRIAGE OF SCIENCE AND TECHNICS

SCHOOLS AND RELIANCE ON FORMAL EDUCATION

- France: Ecole Polytechnique - leading institution for scientific and technical education.
- Germany: Gewerbeschulen and Technische Hochschulen - Imitators.
- Consequences of This Reliance on Formal Education: New branches of Knowledge.

BIG RETURNS IN CHEMICALS AND ELECTRICITY

- The use of liquid and gas fuels in internal combustion engines.
 - The distribution of energy and power via electric current.
 - Telephone and radio.
 - Machines driven by new sources of a power: motor vehicles and domestic appliances.
- => Result of a global collaboration.

SECOND INDUSTRIAL REVOLUTION

- The role of formally transmitted knowledge.
 - The lack of standardization in Britain.
- => The need for a second industrial revolution

Chap 18: The Wealth of Knowledge

GENIUS IS NOT ENOUGH

How the dye industry shifted from Britain to Germany

MID 19TH CENTURY

The dye industry was dominated by natural dyes, which were expensive and limited in their range of available colors.

1856

- William Henry Perkin accidentally discovered the first synthetic dye (low cost, vibrant color).
- The British dominated the production of synthetic dyes.

1870S

In Germany:

- Chemists made significant advancements
- Access to cheap energy and raw materials
- Favorable government policies
- Companies (BASF and Bayer) dominated the production of synthetic dyes globally.

EARLY 20TH CENTURY

- The dye industry shifted from Britain to Germany.
- Germany became the world's top producer of synthetic dyes.

Chapter 19: Frontier of the USA

- The entrance of Industrial Revolution
- Contradiction of factor productions



- Smallholders and well-paid workers
- Mass consumption & production

Chapter 19: Frontier of the USA



Adam Smith's great treatise (1776)

Activist British ministers

The Boston Gazette

Chapter 20: The South American Way

LATIN AMERICA & NORTH AMERICA



Latin America was not initially poorer than North America in the 17th century, due to the abundant silver and gold mines and other valuable resources. However, over time, North America far surpassed Latin America in wealth.

Different colonists - different skills

North America was more successful because its colonists were more skilled, curious, and politically capable than Spanish and Portuguese - coming to the New World solely to get rich.

Different colonists - different openness

- North American colonists - a society of dissent and openness to new ideas - allow them to challenge their rulers and pick and define their own issues.
- Latin American - weaknesses and misfortunes of Spain and Portugal - result in anarchic warlordism and economic retardation.

The new states had **no direction**, identity, or measure of performance, and were often **ruled by small groups of corrupt individuals**. Besides, after gaining independence, Latin American countries **lacked a vision for economic development**, continuing to rely on mining, agriculture, and forestry industries for foreign trade.

Chapter 20: The South American Way

ARGENTINA - A LATIN AMERICAN COUNTRY

Land Policies

It is designed to **keep settlers out**, with most of the soil going to placemen and strongmen by gift or bargain prices. Efforts to recruit settlers abroad ran up against social and political realities, including **religious restrictions and local prejudice**.

Immigration

Immigration to Argentina did not pick up until the last quarter of the century when **wheat cultivation** took off. Many were **seasonal** agricultural workers and few became citizens. The productivity and income increased substantially but were lower than those of other frontier societies.

Impact of Economic Growth

Economic growth continued in Argentina into the 20th century, in **agriculture & young industrial** sector. However, the **stunted industrial** sector lacked innovation and investment in human capital and suffered from primitive working conditions.



Chapter 20: The South American Way

DEPENDENCY THEORY

The **failure of Latin American** development has been attributed to "**dependency**" a vulnerability where one does not control their fate and is exploited by stronger nations. The spread of dependency doctrines has **fostered economic impotence** and a propensity to **find fault with everyone but oneself**.

THE PORTUGUESE- BRAZILIAN WAY

Freyre distinguishes between Spanish and Portuguese **colonial policies**, noting the latter's **emphasis on religion** to unite Brazilians against Protestantism, comparing their religious controls to current-day health inspectors and police functionaries.

PARAGUAY

- Paraguay was an **exceptional country in South America** with a unique Indian (Guarani) character.
- Paraguay, seeking **economic growth and defense**, purchased European tools, machines, and weapons, building fortresses such as the one at Humaita → threaten the neighboring countries, leading to a disastrous conflict.

Chapter 21: Celestial Empire: Stasis and Retreat

- Chapter focuses on China's economic development from the 15th to 19th century (Ming and Qing dynasties).
- China's early economic success was attributed to advanced agricultural techniques, sophisticated bureaucracy, and a vibrant commercial sector.
- However, China's growth stagnated during the Ming dynasty, which became inward-looking and resistant to change, unlike the European Renaissance.
- The Ming dynasty implemented policies that limited the power of merchants and restricted foreign trade, leading to a decline in China's commercial sector and quality of goods.

Chapter 21: Celestial Empire: Stasis and Retreat

- The Qing dynasty, dominated by the Manchu ruling class, was even more inward-looking than the Ming, leading to a further decline in the economy and falling behind Europe in technological innovation and industrialization.
- Lack of interest in foreign trade and a rigid social hierarchy that stifled innovation and entrepreneurship. Ex: birth status, not talent oriented.
=> Landes argues that China's economic decline was not inevitable but due to faulty policy decisions.
- The chapter highlights the importance of openness to trade and innovation and the dangers of inward-looking policies and rigid social hierarchies.



THE WEALTH AND POVERTY OF NATIONS



DAVID S. LANDES





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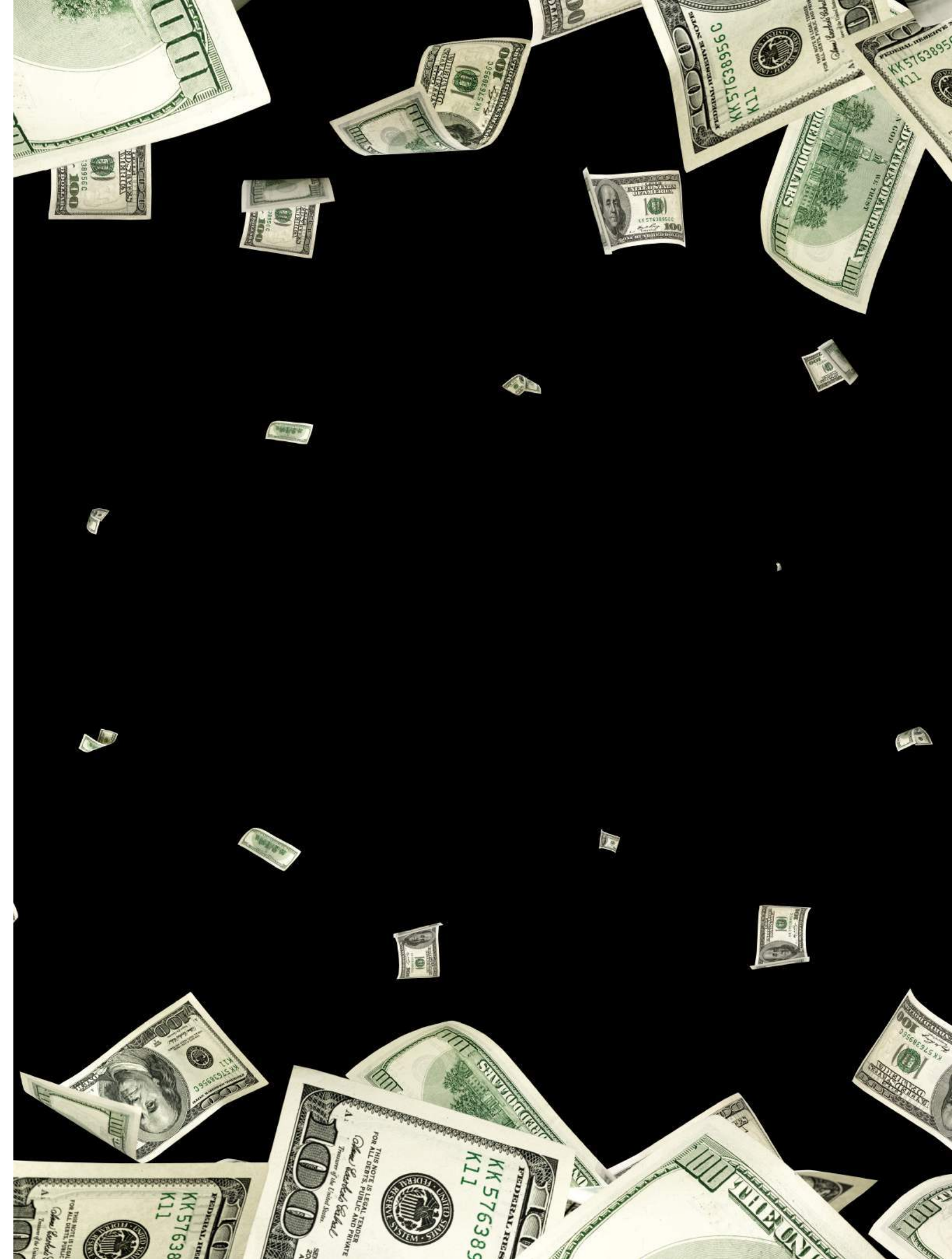
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HOW DID WE GET HERE?
WHERE ARE WE GOING?



“The stress on observation and the reality principle—you can believe what you see, so long as you see what I see—paid off beyond understanding.”

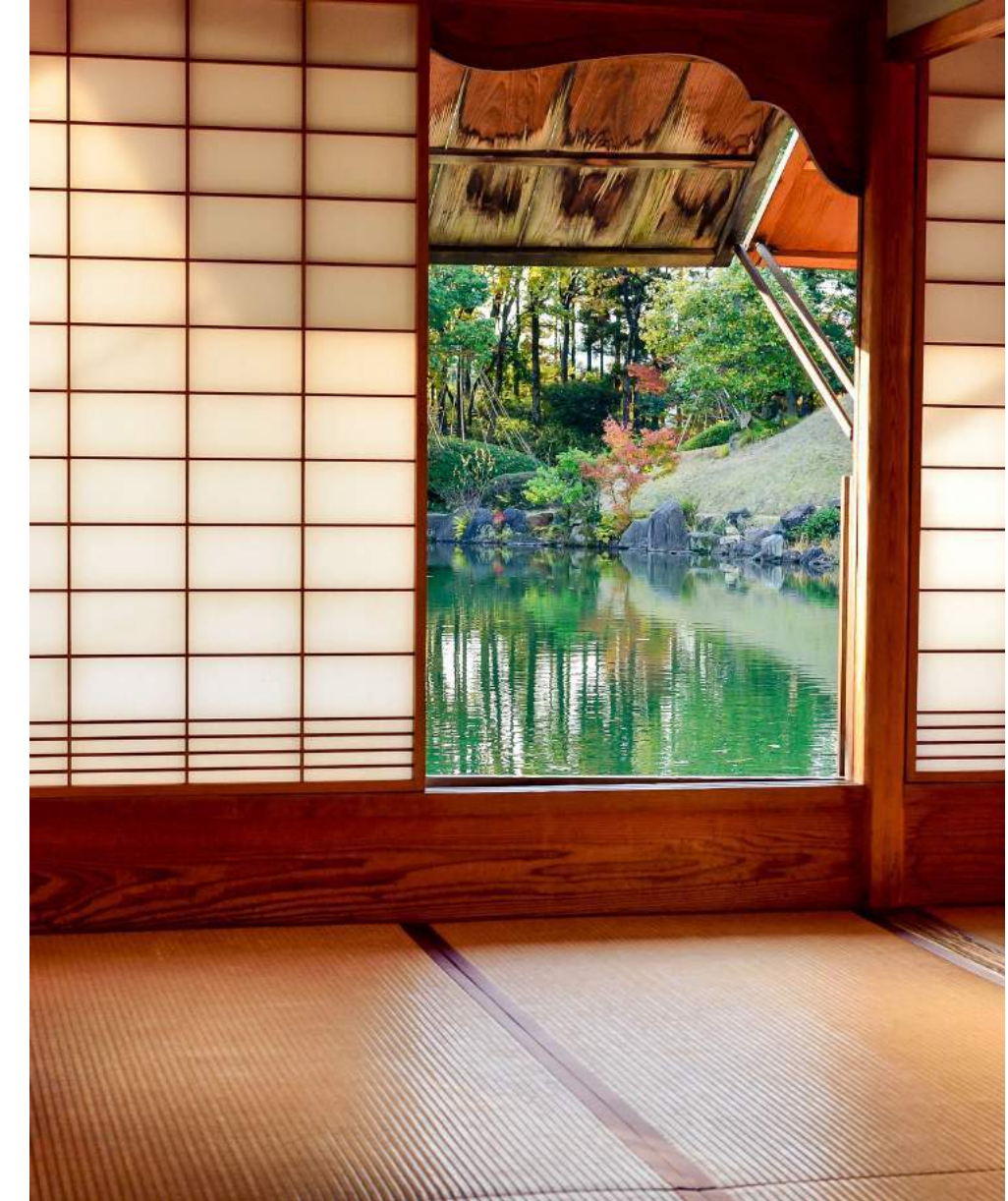
– David S. Landes, [The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor](#)



Japan: And the last shall be first

KEY TAKEAWAYS

- Mid 19th century: Opened the country to foreign goods.
- Cotton spinning became the leading sector of Japan thanks to pre-existing network of machine ships and skilled labor.
- Commercial revolution: new techniques of buying, distribution and remittance
- Specialization, division of labor and growing demand: Adam Smith



- Advances over Europe thanks to:
 - + 50 years without war or revolution
 - + More accessible water transport
 - + An unified language and culture
 - + Abolition of old trade barriers
 - + Adoption of comment merchant ethic

The Meiji Restoration

The Meiji Restoration in Japan occurred in 1868.

This marked a turning point in Japan's history, from a feudal society to a modern industrial power.



A range of reforms aimed at modernizing Japan

- centralized government
- adopted Western technology and ideas.
- created a modern education system.
- encouraged the formation of private businesses and promoted international trade.

Significant challenges were overcome through their strong leadership and willingness to adapt



History Gone Wrong?

David Landes examines the impact of historical events on the economic development and disparities among nations in this chapter.

Landes begins by discussing the influence of geography and climate on a nation's economic trajectory.

The chapter delves into the history of colonization and imperialism, exploring how these factors contributed to the divergence of wealth and poverty between nations.



Landes also analyzes the role of culture and religion in shaping economic outcomes.

He examines how cultural attitudes toward work, innovation, education, and gender equality can either facilitate or impede economic development.

The chapter concludes by emphasizing the importance of understanding history.

Empire and After

- The definitions of *empire*?
- How it was founded and eventually collapsed?
- What were the impacts of *empire*?

2. Founded and collapsed

- Begin in 15th century, ended in 20th century = 500 years of existence
- European imperialism goes back to the Middle Ages
- The aim of imperialism: seek local supply of labor, food, resources, trade, etc, ...
- A paradox: Empire collapsed but prosperity still happened in once colonist nations, while countries once exploited struggled.

1. THE DEFINITIONS

- Empire = invention/by-product of capitalism
- Imperialism = the dominance of one country over others.
- Colonialism = any economically or politically dependent condition

3. Consequences

An explosion of ill-will against the former masters and their representatives

- extract wealth and labor, more than was available at a free market price
- material and psychological suffering for the subject people
- but also material gains, direct or indirect

LOSS OF LEADERSHIP

In this chapter economist David S. Landes discusses the concept of loss of leadership as one of the factors that can contribute to the decline of nations.

THE NATURE OF COMPETITIVE MARKET

The chapter discusses the nature of the market. It explores the envy and rivalry among European nations during periods of state-building and economic advancements of the 17th century, with the example of Britain and Holland.

LOSS OF LEADERSHIP MEANING

According to Landes, a loss of leadership occurs when a nation fails to adapt to changing circumstances or falls behind in crucial areas. This can happen due to a variety of factors, including complacency, cultural or institutional barriers, inadequate investment in education and research, or an inability to embrace technological advancements.

FACTORS BEHIND THE DECLINE OF NATIONS

The chapter touches on economic contraction, urbanization trends, and the decline of British industry despite favorable conditions. Overall, it emphasizes the **complex dynamics of economic performance and the interplay between politics and economics**.

WINNERS AND... →

This chapter discusses the supposed winners in the new world order in the 20th century.

The World War II, 1945 - 55 millions deaths

- Prior to WWII:
 - + Time for European restoration and repair, material improvement and peace.
 - >< Fascism and Bolshevism sweeping across the continent.
- After WWII:
 - + Germany suffered immense war damage
 - + Japan was thriving
 - + France also had 30 wonderful years.

The 1914 Great War - 10 million deaths and Europe was devastated.

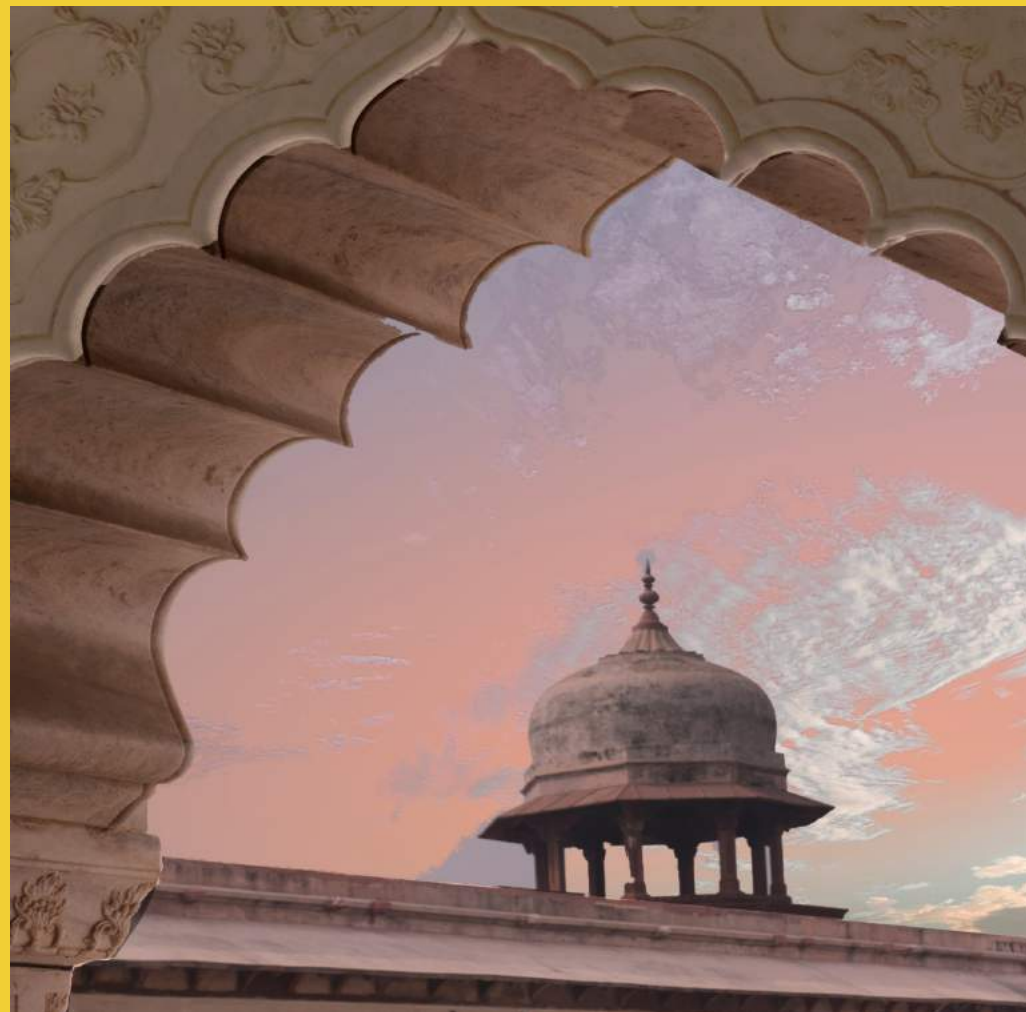
- Germany invaded France and wasted one of the richest industrial regions. Armistice in 1918, Germany lost but didn't admit they were defeated. The seed of fascism started to develop.
- In Russia, the Tsarist collapsed, and Bolshevik regime took power.

Japan industrial rise, and American fall after WWII

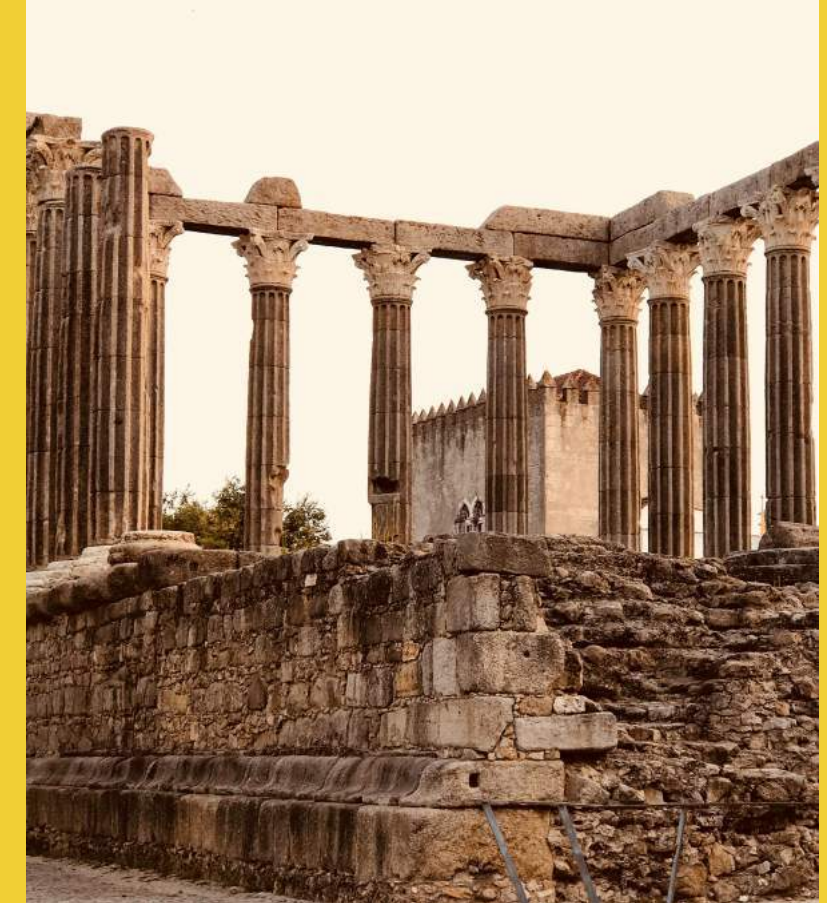
- Japan benefited from Korean wars, and Ford and GM outsourcing. In addition, US government also provided lucrative subsidy for Japanese cars and duties on import.
- Japanese also utilized just-in-time system to optimize its industrial output.
- American failure was due to 4 reasons: Complacency, want of empathy, residual, two-faced reliance on government support, short and selfish time horizon.

≡ CHAPTER 28

LOSERS



- Egypt's decision to invest in spinning mills after WWII resulted in poor-quality cloth production, coinciding with the loss of their export market for raw cotton.
- Latin America witnessed a delayed onset of industrialization, due to factors such as high tariffs, discriminatory legislation, and regulations that imposed non-tariff barriers on imports.
- In 1994-95, Mexico faced a peso crisis, which occurred shortly after NAFTA was ratified.



- Russia, Romania, and North Korea faced backward technology, poor performance, environmental neglect, and disillusionment with the system.
- Africa faces challenges as freedom did not bring expected happiness and prosperity.
- Algeria faced challenges as its industrial products were not exportable, leading to the decline of factories in the 1970s.
- Brazil's experience demonstrates that a strong currency is not a panacea for all economic problems.



≡ CHAPTER 29

HOW DID WE GET HERE? WHERE ARE WE GOING?

In conclusion, D.Landes discusses the transition from a world of empires and kingdoms to a world of nation-states, highlighting the growth in population and technological advancements

The uncertainty of the future and the debate between state intervention and market signals in achieving power, wealth, distributive justice, and efficiency are mentioned.

