

# The state and scope of the economic history of developing regions<sup>I</sup>

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## *Abstract*

In a recent rallying call, Hopkins (2009) petitions historians to 're-engage ... in the study of Africa's economic past not least because it is relevant to Africa's future'. It is our contention that this statement is not only true for Africa but for all developing regions of the world. Standard growth theorists are often incapable of explaining the inability of poor regions to catch-up, or worse, stand indifferent to the complexities of these societies. Yet understanding the process of economic change is necessarily linked to the past. This paper examines the state and scope of the economic history of developing regions, underlining the importance of history for economic development. While the process of economic change in the industrialised North informs our understanding of its successes, exploring the economic history of the developing world may shed light on the causes of stagnation, and speed along the process of development.

Keywords: economic history, developing countries, South, Latin America, Africa, India, China, Middle East, Cliometrics

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1 1. INTRODUCTION

2  
 3 In the half century or so since the evolution of Economic History into a well respected  
 4 economic discipline concerned with the causes of economic growth, important  
 5 contributions have been made toward our understanding of the role of institutions, path  
 6 dependency, technological innovation and evolution in determining growth. The largest  
 7 portion of the evidence has focused on the economic histories of the currently developed  
 8 nations and only a small fraction of our knowledge comes from currently developing  
 9 countries. However, the limited evidence that we have has already played a major role in  
 10 furthering our understanding of the longevity of institutions, the importance of trade and  
 11 education for growth, and the economic and social consequences of colonialism.

12  
 13 Yet, despite this contribution, the proportion of articles focused on developing countries  
 14 remains low, on average, less than 20% of all submissions between 2004 and 2008 have  
 15 been on topics outside Western Europe, the United States and Australia/New Zealand.<sup>1</sup>

16  
 17 Table 1: Submissions by region to the *Journal of Economic History*

	2004- 2005	2005- 2006	2006- 2007	2007- 2008
Africa	2	3	1	1
Asia	16	7	12	17
Australia and New Zealand	2	3	2	2
Eastern Europe	3	2	4	7
Great Britain	20	14	16	12
Latin America	5	7	9	9
Middle East	5	5	2	6
Non-Spanish speaking Caribbean	0	0	0	0
United States	65	57	38	72
Western Europe	37	38	44	43
Not applicable	6	5	5	9
Developing regions	31	24	28	40
Total	161	141	133	178
Percentage	19.3%	17.0%	21.1%	22.5%

18 Source: Hoffman and Fishback (2009)

19  
 20 Major articles and books on Latin America, Asia and Africa have appeared (Pomeranz 2000;  
 21 Sokoloff and Engerman 2000; Acemoglu, Johnson et al. 2001; Acemoglu, Johnson et al.  
 22 2002) but these are written by leading American scholars and focus on explaining the  
 23 differences between Europe and America on the one hand and specific developing regions  
 24 on the other. These are, it must be said, extremely valuable contributions. It is, furthermore,  
 25 equally encouraging that there is an increasing flow of work coming out of the leading

<sup>1</sup> This is also true for other leading economic history journals, here reflected in the number of publications. Of the 29 papers published in 2009 by Elsevier's *Explorations in Economic History*, only five dealt on topics outside Europe, the U.S. and Japan, four of them in a special edition on heights and human welfare. The proportions are similar for the *Journal of Economic History*, published by Cambridge University, with only six of the 32 papers published in 2009 covering topics on developing regions, and for the *Economic History Review*, published by Wiley-Blackwell, seven papers of the 37 published.

26 universities that use history to enhance our understanding of the development process (La  
27 Porta, Lopez-de-Silanes et al. 2008; Nunn 2008; Dell 2010). The emergence of rich data sets  
28 and the digitalization of these, the pervasive presence of English as academic lingua franca,  
29 combined with more research graduates from developing countries at the top Western  
30 institutions specializing in economic history have brought into light a vast new research  
31 field formerly restricted to isolated departments of history, development studies or worse,  
32 hidden in archives. The search for natural experiments in history – the economist’s  
33 laboratory – has also redirected the attention of established scholars to such episodes in the  
34 developing world (Diamond and Robinson 2010).

35  
36 The journal is also aware, and aims to encourage, the shifts that are taking place in the  
37 methods used to analyse the economic past. In a useful summary Nunn (2009) points out  
38 that rather than simply relying on (possibly spurious) correlations between historical  
39 events and present-day outcomes (with no clear indication of causality), better estimation  
40 techniques and richer data sets have allowed a shift towards better identification of the  
41 *mechanisms* by which the historical event shape future outcomes.<sup>2</sup> Nunn (2009) predicts  
42 that future work in economic history will become more confined and specific in scope, using  
43 micro-data to identify ‘finer causal factors and more precise mechanism’. This implies less  
44 generalization of results and a reemergence of historical enquiry into each growth episode.

45  
46 The increasing number of scholars working on these regions is likely to result in an  
47 increased demand for publication space. However, without an increase in the supply of  
48 forums for this type of research we may not be able to provide access to research on the  
49 economic history of developing countries. It is our hope that this journal can contribute to  
50 the publication space awarded research on the economic history of these regions, that it will  
51 be a forum for high quality economic research and ultimately a leading journal in the field of  
52 economic history.

## 53 54 2. THE ECONOMIC HISTORY OF DEVELOPING REGIONS

55  
56 In a recent rallying call, Hopkins (2009) petitions historians to ‘re-engage ... in the study of  
57 Africa’s economic past not least because it is relevant to Africa’s future’. This statement is  
58 not only true for Africa but for all developing regions of the world. Understanding the  
59 process of economic change is necessarily linked to the past. Thus, exploring the economic  
60 history of the developing world must shed light on the causes of stagnation, and speed along  
61 the process of development.

62  
63 As noted above, the existing research on developing countries’ economic histories has  
64 already been informative. This section highlights some of those contributions.

### 65 66 2.1 Latin America

67 The lion’s share of recent economic historical research on Latin America revolves around  
68 two closely interconnected questions. First, what explains Latin America’s growth  
69 retardation as compared to the West and, to a lesser degree, East Asia? Second, why is  
70 national income so unequally distributed in the majority of Latin American and Caribbean  
71 countries? With the exception of Haiti and Nicaragua all LACs are nowadays classified as  
72 middle-income countries, which basically means that they have sufficient economic power

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<sup>2</sup> Interestingly, nearly all the papers cited by Nunn (2009) dealing with the economic history of developing regions have been submitted or published in the economics journals, not economic history journals.

73 to eradicate poverty. Still, about one quarter of the region's population lives at or under the  
74 World Bank defined poverty line (Frankema 2009). Indeed, many of the scholarly debates  
75 that have emerged in recent years are in search of explanations of this peculiar feature of  
76 Latin American development (Bulmer-Thomas, Coatsworth et al. 2006).

77  
78 Adopting a very long term perspective, the conventional view is that colonial policies of  
79 social repression, resource extraction and trade monopolization have generated various  
80 forms of social, economic and political inequality that have hampered the development of  
81 markets and political order far into the post-independence era. Catholicism, *Caudillismo* and  
82 the authoritarian nature of Iberian colonial rule have often been contrasted with the  
83 principles of cooperative government, economic liberalism and Protestantism to explain the  
84 increasing income gap with the former British possessions in North America (Landes 1998;  
85 North, Summerhill et al. 2000).

86  
87 Engerman and Sokoloff have argued, against this conventional view, that the origins of  
88 institutional divergence are tied to exogenous conditions such as Latin America's  
89 population heterogeneity and natural resource abundance, rather than Iberian cultural  
90 values *per se* (Sokoloff and Engerman 2000). Yet, an even newer strand of literature goes  
91 further, by arguing that Spanish institutions may have been different, but not necessarily  
92 less efficient or 'bad' for long term economic development (Elliot 2006). The presumed  
93 'absolutism' of the Spanish Crown and the 'myth of relentless extraction' is contested on the  
94 basis of new empirical evidence revealing extensive fiscal bargaining procedures and a  
95 sophisticated system of imperial revenue transfers, which allocated collective goods across  
96 the Spanish American empire, while outright confiscation was limited. Effective fiscal  
97 institutions, so it is argued, do a much better job in explaining why the Spanish American  
98 empire ultimately proved to be more viable than the British American empire, (Marichal  
99 2007; Irigoien and Grafe 2008).

100  
101 This debate intertwines with recent studies questioning the widely-held belief that Latin  
102 American inequality has been persistent from colonial times onwards. A number of recent  
103 studies have shown impressive changes in wage differentials, wage-rental ratio's, labour  
104 income shares as well as Gini and Theil-coefficients of income distribution over the past two  
105 centuries (Williamson 1998; Arroyo Abad 2008; Bértola, Castelnovo et al. 2008). In view of  
106 this new evidence several scholars have argued that fluctuations in Latin American  
107 inequality have been driven by a combination of path dependent conditions and new, time-  
108 specific determinants, which are not necessarily rooted in colonial history, nor ossified in  
109 the region's future (Prados de la Escosura 2005; Frankema 2009). Moreover, some recent  
110 backward extensions of real wage and income distribution studies into the colonial era do  
111 not produce immediate evidence for extraordinary low living standards, nor for  
112 exceptionally high levels of inequality (Milanovic, Lindert et al. 2008; Dobado and Garcia  
113 2009). Because most of the empirical research still has to be carried out, this line of  
114 research will continue for many years to come (Coatsworth 2008; Edwards 2009;  
115 Williamson 2009).

116  
117 A third debate even more directly connects the past with the present by addressing the  
118 effects of globalization. Although the study of globalization - more narrowly defined as  
119 global or Atlantic market integration (and disintegration)- has a strong tradition in the  
120 famous *Dependencia* school, these recent studies are embedded in modern trade theory and  
121 largely neglect the once so influential Prebisch-Singer hypothesis (Prebisch 1962). How do the  
122 causes, characteristics and consequences of the first wave of globalization during the late

123 nineteenth and early twentieth century compare to those of the current wave of  
124 globalization that has emerged after the breakdown of import-substitution policies? (Taylor  
125 2006; Arroyo Abad and Santos-Paulino 2009). The first wave seems to have spurred growth  
126 *and* inequality, but what about the second wave? What are the chances of a repeated  
127 resource curse? And does it matter that the former Atlantic market has now become a  
128 global market, including the new Asian giants?  
129

130 In the meantime, current rates of catch-up growth in Brazil and the impressive pace of  
131 democratization in Chile, indicate that the socio-economic and political outlook of Latin  
132 America can potentially change very rapidly. If this pace of change continuous and spills-  
133 over to an increasing number of LACs, there is a good chance that these questions and  
134 interpretations soon have to be reformulated in order to keep up with new developments.  
135

## 136 **2.2 Africa**

137 In a recent review of the state of economic history in Africa, Anthony Hopkins (2009)  
138 juxtaposes the dearth in economic history research by African historians against the  
139 evolution of the new-institutional economists investigations into the existence and  
140 performance of institutions in Africa and elsewhere. Although the 1990s economic growth  
141 literature ventured to explain Africa's underperformance, Acemoglu, Johnson and  
142 Robinson's (AJR) seminal contribution at the start of the new millennium set a new research  
143 agenda that, according to Hopkins (2009), historians of Africa have failed to embrace.  
144 Although earlier authors had noted the impediments of colonial rule on long-run  
145 development, AJR found a deft empirical solution to explain Africa's poor growth  
146 performance through the institutions that were implemented during colonial rule  
147 (Acemoglu, Johnson et al. 2001; Acemoglu, Johnson et al. 2002). They argue that colonies  
148 with a less deadly disease environment attracted greater European settlement which  
149 facilitated growth promoting institutions that protected property rights. Where European  
150 mortality was high (and settlement low), colonisers established extractive rent-seeking  
151 institutions that were detrimental to development. The empirical instrumental variables  
152 (IV) technique the authors use first estimates a strong negative relationship between initial  
153 settler mortality and institutional quality today and in the second stage, finds that domestic  
154 institutions exert a strong positive effect on per capita income.  
155

156 The AJR contribution ignited interest in explaining the impact of African colonial history on  
157 current performance exploiting newly available data. Nathan Nunn's (2008; 2010) first  
158 contribution to the new African economic history combines data from historic shipping  
159 records and constructs estimates of the number of slaves shipped during four African slave  
160 trades: the trans-Atlantic, Indian Ocean, Red Sea and trans-Saharan. He finds that those  
161 areas from which the largest numbers of slaves were taken are today the poorest regions in  
162 Africa. Nunn then tests whether the regions supplying slaves were historically also the  
163 poorest; instead he finds that the more developed and more densely populated societies  
164 supplied the most slaves, which suggests that selection is not driving his results. Nunn and  
165 Wantchekon (2009) extends this to a theory of mistrust, postulating that the impact of the  
166 slave trade works through factors that are internal to the individual, such as cultural norms,  
167 beliefs, and values . The slave trade also resulted in Africans moving into areas that were  
168 more rugged, resulting in lower subsequent growth potential for these areas (Nunn and  
169 Puga 2009). More recently, Nunn (2009) uses information on the locations of Catholic and  
170 Protestant missions during the colonial period to test its impact on religious conversion,  
171 education, civic participation and attitudes toward democracy. He finds that Protestant  
172 missions had strong effects on conversion and increased educational attainment while

173 Catholic missions “appear to have had little effect on conversion and no effect on education”  
174 (Nunn 2009).

175  
176 Bolt and Bezemer (2009) use data on colonial human capital and find a strong link with  
177 long-run growth. They argue that education explains growth better and shows greater  
178 stability over time than do the measures of extractive institutions posited by AJR, and that  
179 the impact of settler mortality is through education rather than institutions. Using  
180 household surveys from the 1990s, Huillery (2009) finds a positive relationship between  
181 early colonial investments in education, health and infrastructure on current levels of  
182 schooling, health outcomes, and access to electricity, water, and fuel at the district level. Her  
183 detailed microdata also allows for advanced estimation techniques to determine the  
184 differences in outcome of neighbouring regions only, thus keeping all other variables  
185 constant. More recently, Fenske (2010) use cross-sectional data on pre-colonial African  
186 societies to demonstrate that the existence of land rights, slavery and polygyny occurred in  
187 those parts of Africa that were most suitable for agriculture and in which population density  
188 was greatest. There are many more examples (Buelens and Marysse 2009; Fafchamps and  
189 Moradi 2009; Moradi 2009).

190  
191 Other economic historians have criticised these new approaches Austin (2008), for  
192 example, has been critical of the ‘reversal of fortune’ thesis because of methodological  
193 insensitivity to diversity and context. Although Hopkins acknowledges that African  
194 economic history is in need of a serious reawakening – “... for reopening lines of enquiry  
195 that are important for understanding both precolonial and colonial history” (Hopkins  
196 2009:177), he shares Austin’s concerns. Hopkins is correct in questioning the ‘sweeping’ or  
197 ‘broad brush’ collating effect of the early econometricians’ methodology in researching the  
198 economic history of Africa. Hopkins suggests that research needs to “...proceed cautiously  
199 on a case-by-case basis and abandon the attempt to formulate one prescription for a large  
200 and diverse continent.” The use of both quantitative and qualitative microdata in region-  
201 specific settings and more recent techniques of identification and falsification are  
202 increasingly used by both economists and historians (Fedderke and Schirmer 2006; Green  
203 2009; Mariotti 2009; Boshoff and Fourie 2010; Fourie and von Fintel 2010). Such region-  
204 specific case studies pave the way for further interdisciplinary collaboration which is  
205 essential in broadening our understanding of Africa’s economic past, present and future.

### 206 207 **2.3 India**

208 Over the last decade, the Indian colonial experience has entered broader conversations  
209 within the economics literature on the “Great Divergence”, the relationship between  
210 colonialism and institutional development, and the persistence of institutions. Furthermore,  
211 Indian economic history has embraced cliometrics. Researchers have constructed new  
212 district-level datasets on railroad penetration (Donaldson 2008), educational spending  
213 (Chaudhary 2010) and communal violence (Jha 2008) to name a few examples. Economic  
214 theorists have used the East India Company operations to better understand the nature of  
215 contract enforcement (Hejeebu 2005) and the microeconomics of exports (Kranton and  
216 Swamy 2008). By adopting the cliometrics approach, Indian economy history has a bright  
217 future to answer specific questions about the Indian context and general questions of  
218 interest to other economists. We focus here on a few recent studies and their implications  
219 for colonial rule in India. This is far from a comprehensive overview, but rather a  
220 description of recent advances. For a detailed overview, we recommend the reader to  
221 Cambridge Economic History of India (Kumar 1983) and Roy (2000; 2002; 2004).

222

223 While older studies suggest the divergence in economic development between Europe and  
224 Asia began only after the 19<sup>th</sup> century (Parthasarathi 1998; Pomeranz 2000), recent studies  
225 drawing on Indian wages, incomes and market integration find evidence of diverging  
226 standards of living well before 1800 (Broadberry and Gupta 2006; Studer 2008; Roy 2010).  
227 A stronger understanding of when India fell behind has important implications for how we  
228 view the colonial experience. If India was diverging from Europe in the early modern  
229 period, colonialism alone cannot be held accountable for the slow pace of Indian  
230 development in the 19<sup>th</sup> and 20<sup>th</sup> century.

231  
232 Several recent micro-studies of individual sectors of the Indian economy also support a  
233 nuanced reading of colonial policies and their effects on the economy. For example,  
234 education spending under the Raj was low relative to other countries at comparable levels  
235 of development and the Indian Princely States. But, local factors such as a high degree of  
236 social heterogeneity and a strong preference for secondary education among Indian elites  
237 were important barriers to the spread of mass primary education (Chaudhary 2009). A  
238 study of late 18<sup>th</sup> century Bengal finds remarkable stability in income per-capita in spite of  
239 the transition to colonial rule (Roy 2010). However, another novel study finds large and  
240 persistent effects of colonial land tenure systems on post-independence agricultural  
241 productivity (Banerjee and Iyer 2005).

242  
243 Within infrastructure, the study of railways has enjoyed a recent resurgence. According to  
244 Andrabi and Kuehlwein (2010) (2010) railways had limited effects on price convergence  
245 between districts, but Donaldson (2008) finds large and positive effects of railways on price  
246 convergence and agricultural incomes using a sophisticated model and an original dataset  
247 from 1861 to 1930. Moreover, railways also appear to have reduced the severity of famines  
248 in colonial India (Burgess and Donaldson 2010). On the industrial organization side,  
249 government ownership of Indian railways lead to significant productivity gains unlike other  
250 countries where efficiency declined following nationalization (Bogart and Chaudhary 2010).

251  
252 The consequences of colonial policies, thus, range from no effects as in the case of 18<sup>th</sup>  
253 century Bengal to positive effects in the case of railroads. Given the diverse findings, we  
254 need more research studying the effects of colonial rule disaggregated by region, sector and  
255 time period. How did specific policies interact with local conditions? Why did colonial  
256 policies succeed in some places and in some time periods? Why were some policies a  
257 complete failure? Can we attribute the negative effects to an extractive colonial state? Or,  
258 was colonial rule constrained by local factors? Detailed micro-studies are essential to  
259 answering such questions and assessing the net macro effect of colonial rule in India.

260

## 261 **2.4 China**

262 In recent years there has been great interest among economists and historians in the long-  
263 run development of China. Much of this interest can be traced back to a very famous  
264 question raised by a renowned British sinologist Joseph Needham, known as “The Needham  
265 Question”: why China had been overtaken by the West in science and technology, despite its  
266 earlier successes? Economic historians have extended this question: why did the industrial  
267 revolution take place in Britain instead of China? Elvin (1973) and a few prominent scholars  
268 propose a demand side explanation to this question, arguing that one major factor  
269 preventing China from advancing as an industrialized economy was a high labour-to-land  
270 ratio limiting the incentive to invent new technologies in ancient China. In comparison, Lin  
271 (1995) attributes ancient China’s technological stagnation to the supply-side. He argues that  
272 the long-standing Imperial Civil Service Examination system in ancient China was the main

273 channel through which bureaucratic officials were selected in a fair and impartial way.  
274 However, because the civil service examination system focused only on Confucianism and  
275 literary skills, most talented Chinese were fully devoted to either this examination or  
276 research of the humanities and lacked the incentives to accumulate knowledge in science.  
277 As a result, a scientific revolution was unlikely to spontaneously take place in China, even  
278 though China had satisfied many of the accepted crucial conditions for industrialisation as  
279 early as the twelfth century.

280  
281 Although the explanations of China's failure to industrialize are completely different, these  
282 studies share the same view: they attribute this divergence to some unique features in  
283 ancient Chinese society that made China intrinsically different from Europe. Philip Huang  
284 and quite a few traditional Chinese historians and demographers further advance this  
285 "pessimistic" view and argue that the Chinese economy was weighed down by  
286 overpopulation, and that a process Huang terms "involution", resembling what others  
287 might characterize as a Malthusian trap, prevented China from realizing any progress in  
288 economic growth well into the 20th century. Since the end of the last century, this  
289 assessment has been challenged by Ken Pomeranz, R. Bin Wong, James Lee, and others, who  
290 have argued that China was doing much better than has been appreciated, especially in  
291 coastal areas, rivaling Europe in per capita income as late as the end of the 18th century.  
292 This more sanguine outlook, based on detailed (if also controversial) comparisons of China  
293 and Europe, suggests that conditions in pre-modern China were much more favorable, both  
294 as regards living standards and prospects for sustained growth, than scholars had  
295 previously thought. This group of economic historians, many of whom are affiliated with the  
296 University of California (and thus usually categorized as the California school), believes that  
297 there were essentially no such China-specific factors that made ancient China "inferior" to  
298 Britain or Europe. For example, Pomeranz (2000) attributes the divergence between  
299 Europe and China to the role of "geographic accidents" such as the proximity of coal  
300 deposits to early British centers of industrial production and the easily exploitable natural  
301 resources of the Americas. Their studies overthrow the ingrained Eurocentric growth model  
302 and have also been espoused by prominent European economic historians such as Jared  
303 Diamond, Greg Clark and Robert Allen (Diamond 1997; Clark 2008; Allen 2009; Clark and  
304 Cummins 2009; Allen, Bassino et al. 2010).

305  
306 The California school has inspired more scholars to increasingly adopt the methodology of  
307 "horizontal" research, which frames the experience in China from the perspective of world  
308 economic history. They construct gauges of economic performance, such as output, real  
309 income and productivity, for regions of China and base comparisons between regions, and  
310 especially between them and regions or countries of Europe. Moreover, the traditional view  
311 that China was stagnating has not been subjected to much in the way of systematic  
312 empirical tests, either for the pre-modern or modern periods. A scarcity of data has long  
313 plagued scholars of China, and prevented them from constructing a reliable record of  
314 Chinese economic development over the long run. With the recent movement toward the  
315 opening of archives in China, and the greater ease of collecting information made possible  
316 by advances in the power and portability of computers and scanners, the opportunities for  
317 scholars have expanded enormously. Carol H. Shiue, Debin Ma and Se Yan are three scholars  
318 who have conducted excellent research by combining economic theory and econometric  
319 methods with original data sets collected from Chinese historical archives.

320  
321 Trade expansion and market development have long been considered preconditions for  
322 industrial revolutions and sustainable economic growth. Therefore, examining the market



323 development in pre-modern China would shed light on the causes of China's failure to  
324 industrialize. Shiue (2002) utilizes regional grain price data collected by the Qing  
325 government, combined with historical weather data, to study the inter-regional correlations  
326 of grain prices, which is used as an indicator of market integration. She finds that the overall  
327 level of market integration in China was higher than previously thought and that those  
328 inter-temporal effects are important substitutes for trade. Both factors reduce the  
329 importance of trade as a unique explanation for subsequent growth. More recently, Shiue  
330 and Keller (2007) compare market integration in Europe and China on the eve of the  
331 Industrial Revolution, finding little difference, although somewhat better performance in  
332 England than in the Yangzi Delta.

333  
334 Debin Ma has assembled wage data of various types of laborers in different regions of China  
335 and, with historical price data, estimates the real income of these people from the  
336 eighteenth to the twentieth century (Ma 2008). The data are used to compare the standard  
337 of living in major Chinese cities to their counterparts in Europe, India, and Japan. Ma and his  
338 co-authors (Allen, Bassino et al. 2010) find that in the eighteenth century, the real income of  
339 building workers in Asia was similar to that of workers in the backward parts of Europe and  
340 far behind that of workers in the leading economies in northwestern Europe.  
341 Industrialization led to rising real wages in Europe and Japan. Real wages declined in China  
342 in the eighteenth and early nineteenth centuries and rose slowly in the late nineteenth and  
343 early twentieth. The income disparities of the early twentieth century were due to long-run  
344 stagnation in China combined with economic development in Japan and Europe. The  
345 painstaking efforts made by Shiue, Ma and other economic historians to collect data for pre-  
346 modern China are paving the way for a deeper understanding of China's economic  
347 performances in that era.

348  
349 Studying pre-modern China is crucial for a better understanding of the Great Divergence.  
350 However, study of the economic developments of modern China (1842-1949) is equally  
351 interesting. Until the 1840s, China was largely a closed, agrarian economy; however,  
352 pressure from Great Britain and other foreign powers led China to open its economy to  
353 international trade and later to foreign direct investment. Although the scarcity of data  
354 makes it virtually impossible to construct annual time series of GDP or other major  
355 economic indicators, scholars, such as John Chang, Ta-chung Liu, and Thomas Rawski, have  
356 compiled various estimates of the speed and magnitude of industrial expansion and  
357 economic growth (Brandt and Rawski 2008).

358  
359 While this view of China's accelerating economic change is shared by many historians and  
360 economists, its impact on people's real income and standard of living has been poorly  
361 measured. In his doctoral dissertation, Se Yan (2008) compiles the first systematic evidence  
362 of patterns in real wages and living costs for China from 1858 to 1936. He constructs  
363 nominal wage series from the records of employees in the China Maritime Customs (CMC)  
364 service for nearly fifty Chinese cities. He also constructs group-specific cost of living indices  
365 from price data and household budget information contained in CMC trade statistics and  
366 surveys. With these new nominal wage series and cost of living indices, Yan estimates the  
367 long-run trends in real wages and in the ratios of wages for the skilled to unskilled workers  
368 and for highly skilled to unskilled workers. He finds that the skill premium rose rapidly  
369 during the first three decades of industrialization, but began to level off and decline from  
370 the mid 1910s. Yan (2008) and Mitchener and Yan (2010) further find evidence suggesting  
371 that the reversal of the skill premium is possibly driven by two factors. First, the trade boom  
372 in China during the early twentieth century benefited unskilled workers relative to skilled.

373 Second, educational progress increased the supply of skilled workers, thereby reducing the  
374 skilled wage.

375

376 Of course, this cannot be a complete introduction of recent academic studies in this field.  
377 Many outstanding researchers have contributed to the progress in Chinese economic  
378 history. A more recent example is Zelin's book, *the Merchants of Zigong* (2005), which has  
379 received much scholarly attention. All these concerted efforts have made Chinese economic  
380 history one of the most vibrant fields in economic history.

381

## 382 **2.5 The Middle East**

383

384 Economic history of the Middle East has recently experienced a significant growth in both  
385 the volume and scope of scholarship. Until the late twentieth century, research on this  
386 region had been hampered by numerous obstacles, including linguistic barriers,  
387 government censorship, restrictions on access to archival resources, and lack of external  
388 demand and institutional support. Undeterred by these obstacles, prominent historians  
389 such as Gabriel Baer, Ömer Lütfi Barkan, Charles Issawi, Halil İnalcık, and André Raymond  
390 pioneered pathbreaking research programs, but progress in the field was slow and lagging  
391 behind that of other parts of the world. As these obstacles gradually waned and some of the  
392 significant historical questions of the Middle East and the Islamic world gained widespread  
393 attention, scholarship on the region has improved tremendously. The first decade of the  
394 twenty first century has witnessed the rise of economic history of the Middle East to a  
395 mature subfield, research being marked by the creative utilization of primary sources,  
396 innovative application of sophisticated tools of quantitative analysis, and skilful  
397 employment of the recent methodological and theoretical developments in modern  
398 economics.

399

400 As archival material has become more available and researchers have mastered innovative  
401 ways of using the available data, a proliferation of quantitative studies has taken place.  
402 Continuing a long established line of research, some historians have focused on specific  
403 regions and assembled information from various sources to identify how the resource  
404 profile, production patterns, size and composition of the population, and general economic  
405 outlook of the region has changed over time. These studies have typically used Ottoman tax  
406 registers as primary sources (Coşgel 2004). Other researchers have completed large gaps in  
407 our knowledge of how the Middle Eastern economies have performed in comparison with  
408 other parts of the world, providing reliable estimates of such macroeconomics indicators  
409 (measured in standard units to facilitate comparisons) as money, prices, incomes,  
410 agricultural productivity, and anthropometric measures (Pamuk 2000; Özmucur and Pamuk  
411 2002; Coşgel 2007 ; Stegl and Baten 2009). Another recent line of research has been to use  
412 data for not just estimating regional variables but for quantitative analysis of larger  
413 economic and historical questions, such as how risks and transaction-costs shaped public  
414 finance and how military activities of the Ottomans affected intra-European feuds (Coşgel  
415 and Miceli. 2005; İyigün 2008).

416

417 Borrowing insights from new theoretical developments in modern economics, researchers  
418 have also brought new light to some of the longstanding puzzles of the region's history and  
419 introduced new questions invoked by these developments. For example, adopting a New  
420 Institutional approach and comparing Western and Middle Eastern institutions, they have  
421 identified the reasons for why the Middle East has adopted distinct institutional  
422 arrangements from the West and how the institutional rigidities of the Islamic Middle East

423 have caused the economic underdevelopment of the region (Kuran 2004; Balla and Johnson  
424 2009; Rubin 2010). Similarly applying developments in the political economy literature,  
425 they have studied where dictatorial rulers have obtained political power and how their  
426 search for legitimacy through agents has affected their choice of technology (Coşgel, Miceli  
427 et al. 2009; Coşgel, Miceli et al. 2009). Judging by recent trends in this field, future  
428 contributions to the economic history of the Middle East will most likely continue as  
429 increasingly more creative and sophisticated utilization of primary sources, economic  
430 theory, and quantitative analysis.

431

### 432 3. CONCLUSIONS

433

434 The quality of the existing research on the economic history of developing countries is all  
435 the more impressive given the low proportion of published research focusing on these  
436 areas. Furthermore, it suggests we need a forum for future research on these areas that  
437 contributes to our understanding of the roles of institutions, path dependency, technological  
438 change and evolution on economic growth.

439

440 Many valuable data sets relating to developing regions remain unexplored, and many  
441 interesting questions unanswered. This is exciting. Economists, historians and other  
442 academics interested in the changing economic past have an opportunity to work,  
443 separately and in collaboration, to begin to unlock the complex reasons for developmental  
444 differences, the factors behind economic disasters and the dynamics driving emerging  
445 success stories.

446

447 We hope that *Economic History of Developing Regions* will help nurture a new generation of  
448 economic historians to show how the economic history of the developing countries can add  
449 to our understanding of economic theories, and, by learning from the lessons of the past,  
450 contribute to improving the state of many of the world's poorest economies.

451

452

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