A massive rise in living standard in countries open to trade, and indeed convergence in wealth, then an increase in Globalization and convergence.

1. The key question is: **Are there developments causally related?**

The basic thesis is that the convergence that we saw amongst the key "Atlantic" economies, between 1850 and 1917 was due to trade and massive migration.

2. **Convergences:** The key findings are.

(1830-1850):

*) ↳ industrial revolution in UK

*) ↳ Period of resource discovery in New world triggered by strongly declining transport cost

*) So until mid 19th century the data indicate that real wage were diverging across atlantic countries

*) No mass migration yet.

*) No global market existance

*) Trade was still relatively modest.

(1850-1870):

*) Free trade expanded rapidly (UK repealed the corn laws in 1846) as did

*) mass migration and capital flows

*) Convergence amongst the core group of economies begin, the convergence pattern is mixed ie b/w 1850-1870 the swedish real wage caught up with the UK real wage. Infact, France, Norway and Spain actually lost some ground.

(1870-1914):

↳ involved the most extensive real wage and living standard convergence the Atlantic economy has ever seen.

*) The Free trade, industrial catch up and the Gold standard was in full swing.

*) Avg gap b/w europe and New world accounts for 60% and the real wage variance with the remaining 40% being explained by real wage dispersion within Europe.

*) About 60% convergence from 1870-1900 is explained by the collapse in the wage gap b/w europe and the New world.

So the punchline, Acc to O & W, is that convergence is not so much a neo-classical growth theory story based on catch with UK, but more about labor abundant Europe catching up with labor scarce New world economies.

Overall, we say $\frac{W}{R}$ ratio in New world fell and rose in europe as grain flooded in from US the Argentine and Australia.

Four countries explains best, A/c to O&W, the avg gap that explains so much of the convergence b/w europe and US.

- IREland & Swedish → heavy emmigration
- US → heavy immigration from 1840 and on
- UK → lost grip as industrial leader.

1856	1913
Swedish half then UK	Parity with UK
24% of US	58% of US.
(Ireland)	
61% of UK	92% of US
43% of US	53% of US.

2. The End of 1st wave of convergence:

- North America's increasing dominance after 1890 would have been enough to slow down the convergence statistics.
- B/w 1914 – 1934 real wage dispession did not fell further
- Divergence b/w 1935 - 1945 was so marked that all of the convergence gain up to the start of WWI were lost by the end of WWII.

3. A closer look at the historical Record 1: Transport and commodity market Integration:

As the 19th century wore on the commodity market (↑)
2 Reasons

1. lowering barriers to trade.
2. Increase in invention and innovation led to decrease in transportation cost. i.e steamship, canals and railroads.

3.1 Transport costs:

Before Railroads two ways of transport.
water: 50-75% cheaper
Roads:

- US → Eric canal in 1817 – 1825 reduced cost by 85% 21 t → 8 days.

With this collapse in transport time and cost, came a collapse in regional price differential from 100% to 10% merely → The steamship was central to these developments.
However, no less central to this transport revolution was the railway.

- In 1876 the first refrigerated ship took beef from Argentina to France.

3.2 European Trade Policy:

- The war in Europe, particularly b/w 1792 - 1815 had been bad for trade and had resulted in de facto "protection" for import - substituting domestic industries"

Corn laws: This meant that grain would be imported but could not leave the warehouses until the domestic price of grain had risen

about 80 shillings per quarter
(2) ↳ Closed the Grain market ~~for~~ to foreign competition and afforded the UK landowners a major amount of protection.
Gradually in UK demand for trade liberalization gained political influence. There was an unwinding of some major anti-trade regulations.
(1) 1825 → Skilled workers were allowed to emmigrate.
(2) 1828 → corn law amended.
(3) 1833 → various tariffs reduced.
(4) 1846 → ~~Corn~~ Corn law repealed.
The rest of Europe moved more slowly in the direction of free trade, but a major advance was secured in 1860 with the Cobden-Chevalier treaty b/w France and UK. The most important was the Most favoured Nation Principle (concession)
*) Despite a heavy rise in tariffs by US after 1870, it appears that commodity price convergence continued suggesting that the fall in transport cost was more important than trade policy for commodity market integration.

3.3 : Trade ~~btw~~ during the industrial revolution:
*) Due to industrial revolution Britain → comparative advantage
* UK developed markets for raw material, wool and hides
*) It exchanged the manufactured goods with mainly foodstuffs including tea, coffee and sugar.

↳ 1/3rd of reexports of total exports for the first 3 quarter of 18th century. The loss of the North American colonies punched a whole in that

→ Hence, openness and specialization appear to be important part of the story for Britain. Due to rise in UK's population and the dependence on food imports made it clearly in Britain's interest for the international trade system to work well.

↳ Industrial revolution surged the demand for it

↳ Trade also boosts technological advance b/c it helps transit ideas, something Lucas has emphasized in recent contributions.

3.3.1 : Importance to Britain :
UK land mass, half population and its trade was twice that of France.
Britain didn't specialize in luxury goods but intended to focus in mass markets
UK's government focus on businesses interests

from this flowed a stable Political system highlighting Private poperty rights, freedom liberty and religious tolerance.

4) H.O model in Historical Perspective

Notes:

5) Migration:

Notes:

6) Globalization and Convergence: The Story so far:

Poverty rates have declined markedly over the last 20 years (Xala-i-Martin)

Overall, Xala-i-Martin argues, there has been a substantial reduction in Global income inequality during the 1980's and 1990s

↳ Increasing globalization has reduced the effects of inequality b/w nations that participates in global market. The poorer nations that gained most from globalization were those that opened up their borders, and Traded on the basis of their comparative advantage (Lindert and Williamson)

↳ On the whole, more globalization has meant less world inequality.

7) Globalization, Relative factor Price Convergence and inequality:

The Atlantic economy's history can be split into 3 Periods

① late 19th century "belle epoque".

② 1914-1950 → "the dark ages"

③ 'Renaissance (1950)

Period ① and ③ are period of Globalization, conditional convergence

Period ② was a Period of deglobalization and divergence, a slump in world trade and capital flows.

"In short they argued that increased globalization increase inequality in the resource rich labor scarce new world. while reducing inequality to the resource Poor labor abundant old world.

7.1: Further observations on income, output and Growth in the world today:

There is much greater inequality today than in 1960

7.2: Why do some countries succeed and other fail to achieve sustained growth?

The relative narrow per capita income gap in 1820 had become large by 1960. Its differences are due to differences in the Pattern of economic take off during the 19th century.

7.3: Convergence and the fundamental causes of Growth:

7) Conditional convergence:
Contries with similar Characteristics are experiencing convergence; This is known as "conditional convergence".

8) Capital flows and Globalization:
Globalized capital markets exists today, there is a significant difference in the nature of capital flows compared to the pre 1914 era. Capital transections now primarily involve rich-rich pairs, and foreign investments in capital-poor countries is relatively limited, despite expectations of high returns