The Great Divergence

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The question

- What made the economic development path of Western Europe unique?
Methodology

- Concentration on smaller regions of comparable size, population, and economic vitality in Eurasia
  - Why? To avoid distortions of scale when using nation-state as a unit
- Use of counterfactuals
The answers

- Accumulation
- Technology
- Institutions
Pomeranz

- Coal
- New colonies
Accumulation

- Europe had more capital
  - Evidence: higher livestock per capita
- Implications for agriculture
- Implications for transportation
- Implications for nutrition

- Conclusion: Little reason to think that most Europeans were uniquely well-off
Technology

- No evidence on higher productivity gains in Europe pre-IR

- Several non-European societies were ahead in technology
  - Irrigation
  - Use of energy

- Most important European innovation:
  - Land-saving techniques –fossil fuels
Institutions

- European dynamism: well-functioning of markets
- Decline in state intervention and arbitrary taxation

Cases:
- Land markets
- Labor systems
Summary

- European advantages in productivity before the IR: dubious

- Patterns of development did not seem to have been leading to an industrial breakthrough anywhere
Coal

- No coal
  - More wood consumption
  - More water mills
  - No iron

- Location, location, location:
  - Europe: England
  - China: north
The New World

- Breaking the land-labor constraint
- Use of slave workforce
- Access to cheap raw materials
- Inflow of precious metals
## Counterfactuals

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<thead>
<tr>
<th></th>
<th>Caloric intake</th>
<th>Acreage</th>
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<tbody>
<tr>
<td>1800</td>
<td>4%</td>
<td>1,300,000</td>
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<tr>
<td>1900</td>
<td>14%</td>
<td>2,600,000</td>
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<table>
<thead>
<tr>
<th></th>
<th>Imports</th>
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<tbody>
<tr>
<td>1815</td>
<td>100,000,000 pounds</td>
<td>200,000</td>
<td>9,000,000</td>
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<tr>
<td>1830</td>
<td>263,000,000 pound</td>
<td>500,000</td>
<td>23,000,000</td>
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