
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

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- Coal
- New colonies

Accumulation

- Europe had more capital
 - Evidence: higher livestock per capita
 - Implications for agriculture
 - Implications for transportation
 - Implications for nutrition
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- Conclusion: Little reason to think that most Europeans were uniquely well-off
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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
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Institutions

- European dynamism: well-functioning of markets
 - Decline in state intervention and arbitrary taxation
 - Cases:
 - Land markets
 - Labor systems
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Summary

- European advantages in productivity before the IR: dubious
 - Patterns of development did not seem to have been leading to an industrial breakthrough anywhere
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Coal

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

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

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

Sugar	Caloric intake	Acreage	
1800	4%	1,300,000	
1900	14%	2,600,000	
Cotton	Imports	flax	wool
1815	100,000,000 pounds	200,000	9,000,000
1830	263,000,000 pound	500,000	23,000,000