

Henry Willebald

Department of Economic History and Institutions, Universidad Carlos III, Madrid, Spain
(hwilleba@clio.uc3m.es)

“NATURAL RESOURCE ABUNDANT ECONOMIES DURING THE FIRST
GLOBALIZATION AND THE INTERWAR PERIOD: GROWTH, INEQUALITY AND
FRONTIER EXPANSION (1870-1940)”

Abstract

The expansion of the Atlantic economy from the mid-19th Century, the incorporation of new regions in the world capitalism and the integration of the markets of goods and productive factors are three of the main features of the process identified with the “First Globalization”.

The “regions of recent settlement” (the “settler economies”) constituted a group of economies with abundant natural resources that participated in the development of the central economies with a dynamic and increasing supply of raw materials and enjoying of the flows of labor and capital that came from the industrialized countries.

Settler economies received the effects of the First Globalization through three means: the commodity channel, the capital channel and the immigration channel. Each channel expressed its action in the settler economies through prices and the accumulation of productive factors and, therefore, relative prices of goods, wages, interest rates, workforce and investment are fundamentals aspects of the analysis.

Current literature about the evolution of the Atlantic economy during the First Globalization and the interwar period applies the Stolper-Samuelson theorem from Heckscher-Ohlin trade theory to explain the performance of the New World. This framework allows explaining, with their variants, three of the main stylized features of the settler economies during the period: strong economic growth, worsening in the income distribution and a firm specialization in primary production.

However, this framework put the emphasis in the international economic relationships and the formation of prices without paying enough attention to the domestic conditions. We propose the consideration of an alternative analytical framework based in the ideas of “Staple Theory” and Economic Geography to complement that view and to incorporate key aspects of the process as the differentials in international and sectoral productivity, the endogenous extension of the land frontier and the structural change.

Initially, we consider the economic performance and the evolution of the inequality in the settler economies and present the framework usually applied in the recent literature to understand the process. The latter item includes the consideration of some of the most important limitations of the model and the empirical work within this tradition and the recent efforts to improve the understanding of the issue. Then, we present analytical lines to complement the previous view and to change some emphasis of the analysis. This includes two approximations; one of them in the tradition of the “Staple Theory” and “specific factors” model and, the other, introducing considerations related with Economic Geography and Urban Theory.

To illustrate how the model works we present the expressions (changes in the exogenous variables), the effects (accumulation of productive factors) and the results (in terms of growth, inequality and productive specialization) of the First Globalization and the changes that occurred after de First World War. Finally, we propose simulation exercises to approximate the differences among the countries of the “settler club” and suggest new hypothesis to explain them in the endogenous institutions vision.

Keywords: Settlers, Globalisation, Frontier Expansion, Inequality