Lecture 1

Looked at syllabus, briefly discuss overview of course.
Talked about the Middle East/Africa – Undeveloped because of lack of knowledge.
Technology now taught is very different from 10/15 years ago.

Introduction to Economic history.
- Adam Smith – Thought of technology as perfectly available – i.e. a free good.
  - The example of the pin factory, and that if anyone just looked in they could figure out how to do it.
  - Division of labor is limited by the size of the market.
  - Division of labor becomes amazingly important in the context of economic development
  - Labor changes from: single person doing everything => multiple people working on separate portions => mechanization

<table>
<thead>
<tr>
<th>Types of economies</th>
<th>K</th>
<th>L</th>
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<tbody>
<tr>
<td>low K</td>
<td>low L</td>
<td></td>
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<tr>
<td>capital intensive</td>
<td>labor intensive</td>
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assumption: knowledge is free however, knowledge isn't free! market failure!

- David Ricardo
  - Wanted income redistribution from agriculture to industry
  - Also wanted to trade with Portugal, and saw the benefits of such trade, as depicted below:
    Circled products show comparative advantage
    | Portugal | UK |
    | cloth    | 1  | 3  |
    | wine     | 2  | 1  |

This model for comparative advantage assumes full employment in every country!

- Types of developing countries
  - Labor scarce
  - Labor abundant
  - Peasant export economies
  - Regions of recent settlement

Labor Scarce Countries
- Africa is a prime example – rich natural resources but not enough people, as a result labor costs rise
Became poor because of imperialism, weren’t poor before imperialism
When imperialists came, first thing they did was impose a hut tax, which was paid in foreign currency
As a result, people were forced to work in mines or to produce cash crops and eliminating their self-sufficiency.

Labor Abundant Countries
- Age old empires (Chine, India, Egypt, Turkey)
- Produced a lot of silk and textiles to sustain economy
- Large markets, viable to be tapped.
- To be continued next lecture . . .