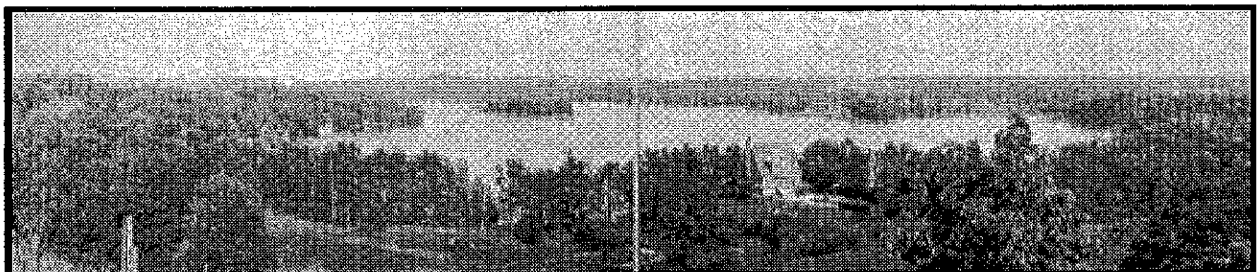
The Newsletter of

The Cliometric Society

Summer 2002 Vol. 17 No. 2



Crystal Lake, WI c1913 [Jean's Neck of the Woods]

Report on the 41st Annual Cliometrics Conference

By Erik Craft, University of Richmond, and Noel Johnson, Washington University

(La Crosse) The 2002 Cliometrics Conference was held May 10-12 in an unusually cool and blustery La Crosse, WI. The Program and Arrangements Committee included co-chairs Michael Haupert (UW-La Crosse) and Price Fishback (Arizona), as well as Lee Craig (North Carolina State), George Grantham (McGill), Shawn Kantor (Arizona), Gary Libecap (Arizona), and Sam Williamson (Miami University). Lanna Miller at Arizona was the conference secretary.

After the standard round of introductions, which included 18 first-time Cliometrics Conference attendees out of a group of 39 participants, the conference began Friday afternoon with **George Selgin** (Georgia) and his paper, "Steam, Hot Air, and the Gold Standard." Selgin takes issue with the importance of steam-powered coinage presses in solving Britain's shortage of quality, counterfeit-resistant, small change. Rather, he notes the complete absence of small change production by the Royal Mint during the final quarter of the 18th century and argues that the subsequent competitive organization of coinage production led to increased quality and availability of commercial coinage.

After some initial probes by others, Jonathan Pincus (Adelaide University) focused the discussion by noting all monopolies are bad in some sense, but there are natural monopolies. When it comes to coinage, there might be economies of scale or scope in production. There are other potential efficiencies of a coinage monopoly to be found in the lower transaction costs associated with a uniform currency. Selgin responded that all private coins were denominated in the same standard currency and that the uniformity argument could be used to criticize the use of checks. Joe Mason (Drexel University) redirected the discussion to issues of information and reputation. He suggested that private issuers had a strong incentive to fight counterfeiting, since they had to stand ready to return bullion for token coins; the government might not have had the same incentive. He also

(Continued on page 28)

What's Inside

Executive Director's Notes

Greetings Gentle Members:

Those of you who read this column regularly will recall that after many years of loyal service, the Mullah's Obsequious Helper retired last year. Some lamented his retirement; others praised it. In either case, now that the Society is run by spineless conformists, like your Director, we found a more politically correct member to report on the pearls of wisdom offered by participants at the Annual Cliometrics Conference. Our helper this year is the Great Cheddarhead. It turns out that insulting the state and people of Wisconsin is both politically correct and great fun. I'm sure you'll enjoy the Great Cheddarhead's report in the spirit it is offered.

There is, however, one aspect of the annual report on the conference that has troubled me since the days of the Mullah's Helper. I refer to the fact that the award for the most incisive comment, bold claim, or profound observation is handed out at the Clio banquet, which takes place on Saturday, even though the conference continues on Sunday morning. I have observed over the years that some of the greatest wisdom in Cliodom is offered on Sundays, and yet because these pearls are not eligible for the award, they generally go overlooked.

For example, a few years ago, Knick Harley (while discussing his paper on trade and the Industrial Revolution) posed the question, "What *should we* do with tropical fruits?" Now at one level, this could be interpreted simply as a question posed by a scholar wrestling with how to tally the prices and quantities of a set of tradable goods. Ho hum – dog bites man, again. But if you place the emphasis as I have, and as I believe Knick intended it to be, then the question takes on a deeper and more universal meaning. After all, the members of our profession have all done something at one time or another with tropical fruit, but was that what we *should* have been doing? Deirdre McCloskey, a student of Alexander Gerschenkron's and a founder of this august society, challenges us to consciously evaluate our rhetoric and methodologies, and isn't that what Knick, also a student of Gerschenkron's, is doing – that is, challenging us to consciously confront how we handle, how we treat, how we interact with tropical fruit? I know I've been much more careful about my treatment of tropical fruit in the past few years. Unfortunately, this challenge was issued on a Sunday morning and thus did not receive the broader reflection it deserved among the readers of the Mullah's report, and other, equally challenging and profound observations, may have been overlooked over the years. So, as your Director, I use this forum to challenge you to evaluate *all* of the insights reported by the Great Cheddarhead, not just the winning insight, because it's possible that a true Sunday-morning gem lies elsewhere in the report. After all, if I may paraphrase one young Cliom from this year's conference: There is a volume, the title of which I don't know, written by, well, I don't know whom, but which makes a point similar to this. And you wouldn't want to overlook it.

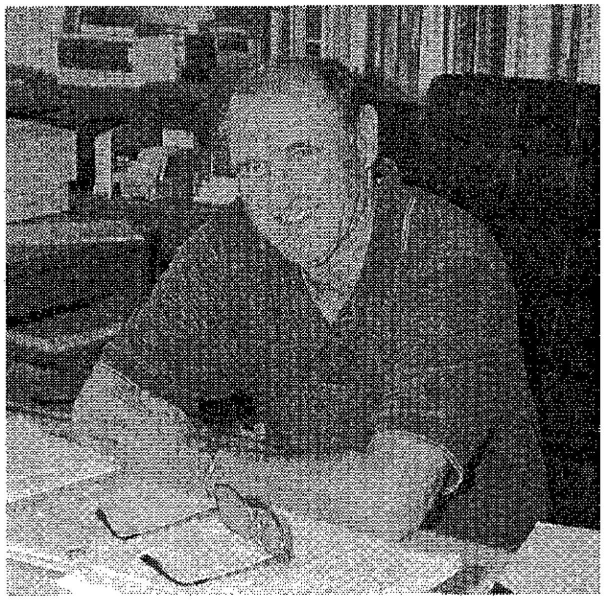
Lee A. Craig, Executive Director

THE CLIOMETRIC SOCIETY
Department of Economics
Box 8110
North Carolina State University
Raleigh, NC 27695-8110
USA
E-mail: csociety@eh.net

The Newsletter of the Cliometric Society
Is published three times per year.

Michael Haupert, Editor
Jean Bonde, Managing Editor
Mary Beth Combs, Associate Editor
Pamela Nickless, Associate Editor

An Interview with Thomas Weiss



Tom Weiss is Professor of Economics at the University of Kansas, a Research Associate at the National Bureau of Economic Research, and Executive Director of the Economic History Association. He came to the University of Kansas as an Assistant Professor in 1967, where he was promoted to Associate Professor in 1971 and Professor in 1975. Tom served as co-editor of the ***Journal of Economic History*** *from 1988 to 1992 and is currently a member of the Editorial Board of* ***Historical Methods****. He is also the nominee for president-elect of the Economic History Association. This interview was conducted in spring 2002 by Joshua Rosenbloom (Kansas), who writes: I first met Tom in 1988 when I interviewed for a position at the University of Kansas fresh out of graduate school. In the past 14 years, I've had the opportunity to interact with him first as a senior colleague and mentor and more recently as a collaborator in our work on economic growth in British North America before 1800. Although Tom and I have adjoining offices, much of this interview was conducted by e-mail because Tom is currently on sabbatical.*

To begin, perhaps you can say something about how you came to the field of economic history. I remember hearing that when you were in college you had considered a career in professional golf. How did you come to choose academia instead?

I know it's hard to believe, but I would say my expected future income seemed like it would be higher in academia! Of course, I had no idea what those salaries would be. But when I was making the decision, Arnold Palmer was just starting to attract galleries and sponsors, and Jack Nicklaus was in college or just getting out. Because the big money was not yet available, it seemed like you would have to be among the very top money winners in order to make a go of it. And although some members of the golf club at which I played were willing to sponsor me for a year or two, I did not relish the prospect of being in their debt. Then too, one of my golfing companions was wealthy enough to have tried playing on the tour as an amateur. His summary was quite discouraging – there were a lot of people who could shoot in the low 60s. Most of them you never heard of. They would shoot 62 or 64 in the practice rounds on Tuesday and Wednesday, then shoot 78 and 80 in the first two rounds of the actual tournament, pack up, and move on to the next city. The money winners were those who could play better under pressure. I think I would have fared better than my friend, but his description was enough to convince me to look elsewhere for a career.

Having ruled out golf, how is it that you first became interested in economic history? Did you take any classes as an undergraduate?

I have been struck in reading previous interviews by how early some cliometricians knew what they were interested in. My story is much different. Chance played a large role in both my becoming an economics major as an undergraduate and an economic historian in graduate school. When I went to college, I think it's fair to say that I did not know there was the discipline of economics. I decided to major in math and become a high school math teacher. However, at the beginning of my sophomore year, my math instructor turned out to be the most arrogant professor I had ever seen, and I would still say it even after 30 some years in the business. After the first class, I and about 10 others decided to switch majors (leaving a class of four, which eventually dwindled to two by the end of the semester). I liked the rest of my schedule, so I went looking for a class in the same time slot as the math class. As I recall, the choice was Economics or Psychology. I didn't take an economic history course, because rumor had it that the course was absurd. Supposedly, the instructor was really an accountant and would lecture and periodically hold up copies of corporate charters, while on his exams he would ask questions such as what logo was on the charter for some specific corporation.

Well, it sounds as if you stumbled into economics, but there must have been something about the subject that interested you enough that you selected it as your major.

You have to remember that this was a small, Catholic liberal arts college, the College of the Holy Cross. Given its size and religious affiliation, at the time it did not offer as wide a choice as might have been available elsewhere. Economics was in a sense the lesser of the possible evils. I could have majored in philosophy or English or something like that, but economics seemed like the most interesting subject. Although it's hard to believe, back then people were still trying to figure out what Keynes meant. The first round of Keynesian macro textbooks was just coming out, and Kennedy had become President; actually, economics looked pretty interesting.

After Holy Cross, you went to the University of North Carolina as a graduate student. What led you to decide to continue in economics there? And how did you choose North Carolina?

In my senior year I was still undecided as to what to do, so I applied to a few graduate schools and interviewed for a few jobs. The choice came down to graduate school in Chapel Hill or Madison or to move to Ohio and work for Frigidaire or Oldsmobile. Over spring break, my roommate and I drove south – he to interview for the nuclear submarine program in DC and me to check out Chapel Hill. The campus and town were attractive, the current graduate students seemed bright, interesting, and enjoyable to be with, and according to my faculty advisor, UNC was a good school. When UNC offered me a fellowship for the first year, the choice was pretty easy.

What was your experience with economic history at North Carolina?

Having avoided economic history as an undergraduate, I now discovered that I was required to take it my first semester of graduate school. The instructor turned out to be Bob Gallman. There is no question that it was the hardest course that first year, but it was also interesting. It was so interesting that I took a second semester. Still, at the end of that first year and through the fall semester, I was thinking more about writing in theory. Consequently, one day near the end of the fall semester of my second year, I had an appointment to discuss a specialty in theory with Bill Pfouts. As I was leaving his office, I ran into Bob Gallman, who asked what I was doing wandering around the Economics Department. When I told him I had just been talking to Pfouts about writing a dissertation in theory, Bob's face lit up, and he asked if I had given any thought to writing in economic history. I fudged a bit and said I had, whereupon, he took me to his office to talk about the possibilities, and I guess the rest is history. After an hour or two, I had settled on a dissertation topic and committed myself to write a joint paper with Bob that would be based on my dissertation and presented at an NBER conference to be held a year and a half in the future. To facilitate that, Bob made sure I applied for a Richard D. Irwin Dissertation Fellowship, which if I won meant that I would have to complete all coursework and pass the competency tests in two foreign languages by July! Bob made it all seem quite reasonable, and in the end it turned out that way.

Why were you considering writing your dissertation in theory? Was there something in particular that you wanted to pursue?

I hadn't had a particular interest in theory when I went to graduate school, but I had done well at it during my first year. I got an A on my term paper that first semester, and it was said that Pfouts (who taught the theory class) never gave A's, so I thought this might be a good field to pursue. I enjoyed Bob Gallman's economic history class quite a bit, but I didn't do as well in it. In fact, I think I got a B on the paper I wrote for him (a mistake I tried pointing out to him years later). When I had asked Pfouts about writing a theory dissertation, he was not as inspiring as I might have hoped. He advised me to take more courses in mathematics and other fields and made it sound like being a theorist was just another job. It was at that time that I ran into Bob, who enlisted me to write the paper with him.

Bob Gallman taught your first economic history class. What was he like as a teacher and dissertation advisor? How did he influence your work?

He was a very enthusiastic teacher. Even though the class was held late in the afternoon, he would sort of bound into class and plunge into a discussion. The amazing thing was that he approached the material as though it were fresh and new, even though he had these yellow legal pads filled with notes that must have been around for a decade or more. Working with him on the dissertation also meant that he expected me to do a lot in a short period of time, but it was enjoyable, and he certainly influenced how I thought about things and how I wrote about them. The most difficult aspect of working with him was trying to read his handwriting. I now wish I had saved all the various drafts of the dissertation chapters for two reasons. One is to have evidence as to how difficult it was to read his margin notes. The other is to chart the change in my writing and to see how many more times Bob wrote "awkward and unclear" or "data are" in the earlier drafts. I would say one of the most long lasting influences I got from him was to take a positive attitude toward the work of others. Whatever the shortcomings of a work might be, you should look for what is worthwhile in it. The other influence was the speed and thoroughness with which he read the drafts of my dissertation, and I have tried to do that.

When you were at North Carolina, were there other faculty teaching or doing research in economic history?

As I recall, Tom Orsagh joined the faculty in my second or third year. Otherwise, there were no economic historians per se, but there were a number of people who taught in closely related fields (such as economic development and history of economic thought) or made it clear that economic history was pertinent to their specialty as well. That group would have included faculty in Soviet economics, international trade, industrial organization, and labor economics. In other words, the field seemed to command a lot of attention and respect.

Was there a regular economic history seminar or any other forum for interaction at that time?

There were no regular seminars, but there was a lot of interaction. Don Schaefer, Dale Swan, and Jim Foust all worked as research assistants for Gallman, so they met with some regularity. I did not participate in those meetings, but we associated with each other quite a bit. We all had offices near one another, ate most meals together, drank a lot of beer, and so on. And economic history was a regular topic of conversation. Most of us kept in touch for some time after leaving North Carolina, and Don Schaefer and I wrote an article together. However, over the years the others seem to have shifted into other lines of research or even occupations.

Your dissertation (and first book) was about the service sector in the US in the 19th century. How did you to choose this topic?

This was part of that long conversation I had with Bob in which he essentially converted me to an economic historian. When he asked if I had thought about writing in the field, I quickly came up with an idea so as not to disappoint him. Given that one of his major works at the time was his estimate of commodity output, it was easy to say that I thought I might do the rest of GNP. Those words were like music to his ears, which I think is why he swept me into the field, signed me up to write an article with him, and took such an interest in my getting an Irwin Dissertation Fellowship.

After your work on the service sector, you set out on a new line of research with Fred Bateman on the relative lack of industrialization in the antebellum South, which ultimately resulted in the publication of *A Deplorable Scarcity*? How did you get involved in this line of research?

This came out of work we began with Jim Foust. Although I had not worked as one of Gallman's assistants, I was well aware of what he was doing, and Jim and I were good friends outside of graduate school. He had taken a job at Indiana, where he became a colleague of Fred's. Jim and I had talked about extending the Parker-Gallman line of research by taking a sample of manufacturing firms for the South and writing a quantitative history of the development of that portion of the region's economy. Jim suggested Fred be included, so that is how we got started. The addition of Fred turned out to be a blessing, as he seemed to be much more interested in the project than Jim and got much more done. He also managed to attract some awfully good graduate students – Jeremy Atack in particular. The book was the culmination of quite a few years of work on the project.

You've worked on a pretty wide range of topics over the years. Is there a common thread that ties this work together? In retrospect, are there topics that you have found more interesting or satisfying than others?

I don't think there is any conceptual or substantive feature that ties all my research together. As for whether one was more or less satisfying than others, I would have to say that is almost like asking which of your children you like best. All my research has been interesting, albeit for different reasons.

My work on the service industries was gratifying, because it seemed important at the time. Not only did I think I was completing the estimates of GNP for the 19th century that had begun with Kuznets and Gallman, it was a timely topic as well. As I think I mentioned, the NBER had a conference in the works; books were appearing by Victor Fuchs, Gur Ofer, and others; and in the late 60s, there was the "First" (and I think only) International Conference on the Service Sector. At the time, some services were seen as the next growth industries or were touted as such by some consultants. The study of southern industrialization was appealing for a different reason, namely that it was more analytical than the estimation of service output. Again the work seemed as though it would complete a picture started by others – in this case, adding manufacturing to the studies of southern agriculture. It was fun as well because of the collaborators involved: Fred Bateman and Jeremy Atack. The labor force estimation was of interest, because I compiled figures that would fill in the blanks in our statistical record and be of use to other scholars. This work also had its analytical aspects, which I liked, and it was the exploration of the usefulness of the "controlled conjectural method of estimation" that led to my work on the colonial economy. I like to think we are making some sense out of a morass of detailed, careful research on a variety of specific aspects that has been accomplished by scholars who know a lot more about the colonial period than I ever will. We may not make sense of it all, but I think our not being colonial historians has brought a fresh perspective to the history of that time period and seems to have generated some excitement in the field.

Lest I forget anyone, I must say that working with Lee Craig on farm productivity, nutrition and stature was enjoyable as well. Perhaps the greatest aspect of that research was the need for Lee and I to eat at an assortment of good restaurants in the US and in Munich, and the most amazing thing about that part of the research is that I selected the better meal 90% of the time and hold the unsurpassed record of having done so 27 times in a row!

You've been a regular attendee at the Cliometric Society meetings. When did you first attend the meetings?

I am pretty sure it was in the spring of 1968. I think Sam Williamson was there that year, and Lou Cain and Paul Uselding were attending their first ones as well. The Cliometric Society meetings are still exciting, but they were even more stimulating back then before the Internet, simply because they were a way of finding out what was going on. In retrospect, the tenor of the meetings seems to have been more critical back then and that added to the electricity. I saw some interesting people in action that you would not ordinarily associate with Clio, such as Raymond Goldsmith, June Flanders, Dave Nordloh, and Joe Stiglitz. Of course to get to West Lafayette, we had to fly Lake Central Airline, which added immeasurably to the excitement. The pilot would be outside kicking the tires to make sure they were okay, then he would come in and welcome us aboard, then move into the pilot seat, while what seemed like his daughter would arrive to serve coffee. The joke was that we really went by bus from Chicago to Lafayette, and someone was running scenes of clouds by the bus windows to make us think we were airborne.

Has the tone of the meetings changed much over the years?

If anything, they are less raucous now than some of the earlier ones I attended. I suspect that the first time anyone attends these meetings he or she is likely surprised by the degree to which the authors get challenged by the audience and also surprised how they all still get along afterwards. So it may be that I have that same impression of my first few meetings, and, consequently, things seemed to have become tamer. I do think there has been a reduction in the ferocity of the comments and greater structure to the meetings and procedures. Of course, I have not been around long enough to have been at the meeting in which Bob Fogel's paper and discussion about railroads went on the whole afternoon (perhaps the whole day), but that is an example of a different format. Maybe this was an extreme case, but I don't think it would be allowed to happen now. I seem to recall Don McCloskey daring people to go to the blackboard. And I know that John Komlos once ran off to the library or an office to get a book that contained evidence in support of a point he was trying to make.

Attendees at recent Clio meetings know that you have served as the voice of the Mullah. Could you explain how the Mullah's award came into being? What was your role?

It happened when the meetings were held at some conference center owned or run by the University of Illinois. As all cliometricians know, some statements made during the conference are unintentionally funny. Some more so than others, and, in this instance, Barbara Sands really did say, "I don't want to open that can of worms, because it is larger than the universe." There was at the time, and still is, the tradition of giving humorous awards at the banquet for anything. One award used to be the Inverse Ratio Award to the person who made the least contribution to the meetings per mile traveled to get there. During the coffee break, I was strolling through the grounds and either it dawned on me, or the Mullah spoke to me, that an award should be given for Barbara's phrase. With no stores in the vicinity, I was forced to improvise, and subsequently on the plane ride home I got the urge to immortalize Barbara and her utterance in a humorous way. Apparently it was a good idea, because Sam and I and the trustees thought it should be continued. The Mullah was happy to oblige, and I would say there have been some pretty clever witticisms since that first one. I think the retelling, however, has lost some of its oomph and think the Mullah has wisely stepped aside.

Another Clio Award in which you are implicated is the so-called "Editor's Award." This award has two photographs – one of Larry Neal, in what appears to be an 18th-century military uniform, and one of you holding two cabbages. First, what is going on in these photos? And, second, what is the origin of this award?

I know what is going on in my part of the picture. I had gone to New Orleans to visit Fred Bateman over a spring break, and it happened to coincide with St. Patrick's Day (which I gather is the second biggest holiday in New Orleans). During the St. Patrick's Day parade, people on floats throw out beads and cabbages, and spectators try to get as many as they can. As the picture shows, I did pretty well. On the other hand, some little old lady tripped Bateman when he went after some cabbages, so I suspect I am showing off. I think Larry's picture shows him going back to his high school reunion; people were expected to wear the style of clothing that was in vogue when they were in high school. I believe it was the Clio meetings in Bloomington where we conceived of an editors' award to go to the person who had the most poorly written sentence in that year's Clio book. Bateman came up with the photos of the two of us, both of us being editors at the time, as an award that would be as unattractive as the writing we were talking about. At the banquet, he then proceeded to give it to Larry and me. I think Bateman did that to compensate for the fact that he had left me stranded at some nightclubs in the New Orleans suburbs two nights in a row.

You have been the Executive Secretary of the Economic History Association since 1994. What prompted you to take this position?

This was a decision so far in the past that I am not sure I can recall exactly why. But there were general influences at work that I think explain a number of decisions I have made over my career. In part, I was raised with the idea that one took on public responsibilities, even if it meant that it might interfere with your personal agenda; so when asked to serve, I felt some sense of duty. I also thought that being Executive Director would be good for the University of Kansas and the department. I still think that, although our Associate Dean didn't seem to think it was worth much to her or to the College. I also thought that the job would have some different tasks (whatever it is that top executives do) that would prove stimulating and would require me to think about a different set of issues than one normally deals with as a faculty member. There has been some of that, the development of JSTOR was the best example, but probably not as much as I might have hoped.

How has the EHA changed over the years? What do you think are its biggest challenges for the future?

I regret to say that being in the position of Executive Director and having been around for a long time has not given me any special insight into these issues. The EHA is a surprisingly large umbrella that encompasses scholars with different backgrounds and interests and research on a wide variety of topics carried out with different methodologies. As for the future, I think we need to be diligent about skewering the 'stylized fact' that motivates a lot of applied econometrics and, of course, be diligent about making our colleagues realize the value of economic history to the broader discipline. The need to convince other economists of the value of economic history comes readily to mind, especially for cliometrics, but I am inclined to think that for economic history, more broadly conceived, the real concern is with convincing history departments. Nevertheless, I remain encouraged by the fact that economic history remains a strong presence in economics departments at many of the very top universities; whereas I sense that is not so true in history departments and perhaps not so true in second tier economics departments. In both economics and history, I think there is also some waxing and waning of interests. Interest in economic history in the US may be diminishing somewhat, but elsewhere in the world (at least measured by membership in the EHA) it is growing. I think that so long as we do high quality research and attract top students, even if only to combine history with another specialty, the field will remain viable. And, I can say that the Board of Trustees of the EHA certainly thinks about these issues on a regular basis and has formulated plans to try to attract more good graduate students.

A lot of your teaching at the University of Kansas has involved introductory economics classes. How does your background as an economic historian affect the way you approach teaching these classes?

I am not sure that I can separate the impact of my being an economic historian from other influences, that is, factors that may have influenced why I became an economic historian. In any case, I think introductory economics should not be the sort of sterile exercise it seems to be in some classes. It should make clear to students the economic issues that confront society, as well as the wide variety of issues in which economics is or should be an important consideration. It should make them aware of the underlying economic laws and pressures that really are invisible yet influence outcomes. It should give them some understanding of the institutions that shape economic behavior and show them where these came from and why they exist. And, it should give them some glimpse of how economists think about issues and policies. Take the market system, for example. I once surveyed an introductory class to see if they had any idea when the market system came into widespread use. I don't recall what percentage had an idea, but I do recall that quite a few thought it had been around forever, and an equally large number thought it was something dreamt up by some dead economist and foisted on society. Consequently, I spend a couple of classes talking about the emergence of the market system. Likewise, students have only vague and uninformed ideas about how the US economy has reached its advanced economic position in the world, so I spend a couple of classes on that as well. The other effect of being an economic historian is that one realizes how messy the real world is. It is important to extract generalities from that messiness, and it is also important to make sure that the abstraction makes sense. The students have to see that the immutable laws and abstract theories have relevance, and I think economic historians tend to do this.

What is your sense of how economic history and economic historians have influenced economics more generally?

I would have to say the influence has not been great enough. I say that primarily from having witnessed any number of seminar presentations on applied topics, for example in IO or trade, that were almost completely devoid of historical context even when the author was talking about a specific episode. In a similar vein, I would say that we have not shaped the direction of research in broader terms. I am a firm believer that economic theory is at the core of economics, but at the same time I think that there seem to be too many resources devoted to refining minor points in economic theory rather than working on bigger questions, such as how long the equilibrating process might be, which institutions facilitate equilibrating processes, and so on. Although I am sure the tenure process plays a big part simply because most young scholars would not want to jeopardize their careers by devoting time to such longer term, riskier projects, I can't help but think somehow we have failed to convince our colleagues that such projects involving a heavy dose of economic history should be valued more highly.

Do you think that economic history should be a required part of training economists?

I don't have any clear answer to this, or perhaps I should say my answer may not be what economic historians want to hear. On the one hand, I think all economists would benefit from having studied economic history. Their understanding of their own discipline, and even current issues, would be deeper and richer. And I am not talking just about their learning more about some of the institutions that shape economic behavior today. It would be useful for more economists to examine the economics of slavery for example. They would certainly appreciate how powerful economic forces can be and how widely economic analysis can be applied. In addition, it would also force them to discuss matters such as the morality of the market economy, questions that are left out of the typical graduate program. But I suspect there are a number of other things that would also enhance their graduate training, so I am not that convinced that economic history should be required. I think there may be some course that could be devised that might be worth requiring, but I don't think it would be the typical course stressing whatever topics an individual economic historian happens to be interested in. I have been naive enough to think that students will choose to take economic history. Some do, but it does seem that those who need it most tend to avoid it. For instance, graduate students from China who were raised in a different economic system would benefit greatly from an appropriate course in economic history. It appears that most avoid doing so, because their strength is in theory, not reading a lot of text in English.

At the undergraduate level, I think economic history should play a bigger role than it does. Just as I think that anyone who takes introductory economics should know something about the rise of the market system and the development of their own economy, I think an economics major should know even more about these things and about the development of specific institutions, laws, regulations, and so on. Of course, they may get some of this in specific elective courses but probably not enough. I also think that learning about and discussing some economic issues from history allows students to see the logic more clearly, because they are not as emotionally involved.

Do you have any prediction about the future directions that economic history research will take?

Not really, other than the fact that work on the 20th century will become increasingly important. If you had asked me 30 years ago if I thought the field would have investigated stature and all its implications, I would have thought you were crazy. If you had asked shortly after Temin's book on the Second Bank came out if I thought people would still be trying to figure out whether there was a decline in economic activity in the early 1840s, I also would have thought you were crazy. So, I think we will continue working on some of the same old, same old and then will be pleasantly surprised by some new directions.

References:

Weiss, Thomas

"Economic Growth Before 1860: Revised Conjectures," in *Economic Development in Historical Perspective* (D. Schaefer and T. Weiss, eds.). Stanford University Press, 1994.

"Estimates of White and NonWhite Gainful Workers in the United States by Age Group and Sex, 1800 to 1900," *Historical Methods* (Winter 1999), 21-36.

The Service Sector in the United States, 1839 through 1899. New York: Arno Press, 1975.

"U.S. Labor Force Estimates and Economic Growth, 1800 to 1860," in *The Standard of Living in Early Nineteenth Century America* (R. Gallman and J. Wallis, eds.). University of Chicago Press, 1992.

Weiss, Thomas and Fred Bateman. *A Deplorable Scarcity: The Failure of Industrialization in the Antebellum South.* Chapel Hill: University of North Carolina Press, 1981.

Weiss, Thomas and Lee Craig

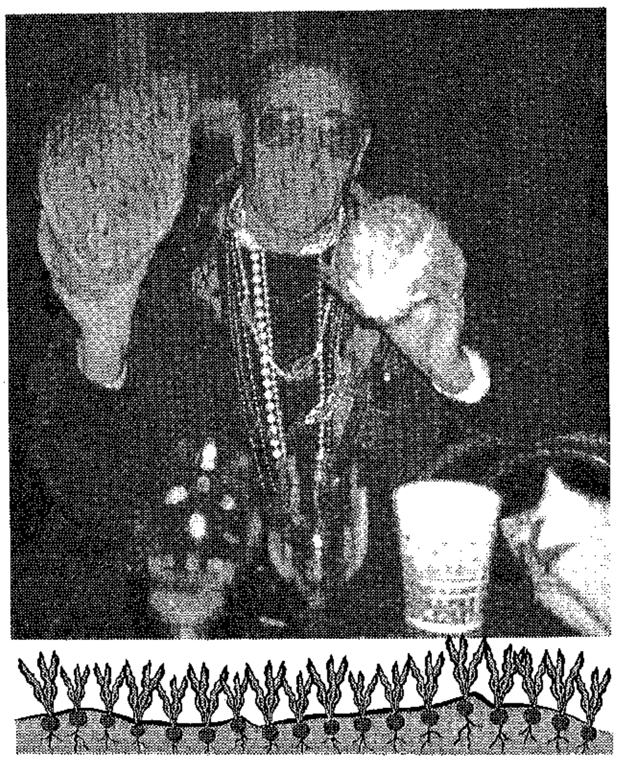
"Agricultural Productivity Growth During the Decade of the Civil War," *Journal of Economic History* (September 1993), 527-548.

"Nutritional Status and Agricultural Surpluses in the Antebellum United States," in *Studies on the Biological Standard of Living in Comparative Perspective* (J. Komlos and J. Baten, eds.), 1998, 190-207.

Weiss, Thomas and Robert Gallman, "The Service Industries in the 19th Century," in *Studies in Income and Wealth*, 34, NBER (1969).

Weiss, Thomas and Peter Mancall, "Was Economic Growth Likely in Colonial British North America," *Journal of Economic History* (March 1999), 17-40.

Weiss, Thomas, Joshua Rosenbloom, and Peter Mancall, "Conjectural Estimates of Economic Growth in the Lower South, 1720 to 1800," *History Matters: Economic Growth, Technology, and Population* (Bill Sundstrom and Tim Guinnane, eds.) Stanford University Press, Forthcoming.



Call for Papers
2003 Economic & Business Historical Society Conference
Memphis, Tennessee
April 24-26, 2003

The Economic & Business Historical Society welcomes proposals for individual papers and panel sessions on all aspects of business and economic history at its 28th annual conference. Graduate students and non-academic affiliates are invited to apply.

Proposals for individual papers should include an abstract of no more than 500 words, a brief CV, postal and e-mail addresses, and telephone and fax numbers. Panel proposals should also suggest a title and a panel chair. Submissions imply that at least one author will register for the conference and be present at the time designated in the conference program.

Papers presented at the conference may be submitted for publication in the Society's peer-reviewed journal *Essays in Economic and Business History,* edited by Michael Namorato of the University of Mississippi.

Proposals may be submitted sent by e-mail to jpr2@psu.edu. You may also mail to:

John Paul Rossi
Pennsylvania State-Erie
Behrend College
School of Humanities and Social Sciences
Station Road
Erie, PA 16563-1501

The deadline for submission is January 15, 2003.

Additional information regarding the conference and Society can be found at: http:/www.ebhsoc.org.

Report on the Economic History Society Conference

By Helen Paul, University of St. Andrews

(Birmingham) The annual conference of the Economic History Society was held at the University of Birmingham, England, in April 2002. The program was organized by Maureen Galbraith, the Society secretary, and local organizers, Katherine Watson and Francesca Carnevali. The scope of the conference papers was impressive. It was impossible to cover all the sessions, so the summary of papers here merely reflects the author's own interests. A full list of papers and abstracts appear in the conference booklet, with more information available from Maureen Galbraith (ehsocsec@arts.gla.ac.uk). Also, the EHS website (http://www.ehs.org.uk/) is being redesigned for autumn 2002, and it should have archived papers from this conference.

At the "New Researchers" session, EHS President Pat Hudson (Cardiff) praised the quality and breadth of work by the newcomers. She commented that it was fitting that the conference opened with their papers, as they were the future of the Society and the field of economic history. The 25 papers were grouped into areas of interest. They were regulation and authority; rural development; trade, companies, and communities; financial history; women and work strategies; welfare provision; business organization and economic development; self-provisioning and recruitment; and war economy and society. The conference booklet contains these papers in full.

Pat Hudson also convened "Max Weber: Economic History and the Social Sciences." She hoped this session would assist economists in reevaluating Weber. **Keith Tribe** (Keele) began by returning to the original source material in his paper, "Max Weber's General Economic History: The Conceptual Preface." Naturally, the clarity and accuracy of our translations of Weber affect the way in which anglophone researchers approach his work. Tribe outlines his efforts in this field regarding the preface to Weber's *General Economic History.*

Hinnerk Bruhns (Centre de Recherches Historiques), in "Max Weber, Economic Theory, and Economic History," questions whether we should view Weber as an economist, socialist, or historian. He highlights the often-overlooked portion of Weber's work on ancient history. Although Weber's interest in ancient civilizations was apparent at the beginning of his career and influenced his later thinking, economists have not really focused on this aspect when using Weber's better-known works.

Phillipe Steiner (Lille 3) presented " Social Theory and History: Durkheimian Approaches," where he looks at Weber's contributions to studies of religion and anthropology. Patrick O'Brien (LSE) commented that economic historians seemed to be in search of new foundation figures after a reliance on American thinkers and neoclassical approaches. He mentioned that Durkheim and Weber might be considered as European alternatives. However, he doubted whether Weber could really fulfill that role. Tribe replied that Weber did not express his ideas particularly clearly, which leads to misinterpretation. Bruhns noted that Weber's work is in fact wide-ranging, encompassing China and India.

Christopher Dyer (Leicester) gave the Plenary Lecture entitled "A Challenge for Historians? Making Sense of the Midland Region." This was an apt topic, not only because of the conference's location in

Birmingham but also because Dyer has been a member of the department there for many years. It was a difficult challenge to give a lecture after everyone had eaten a good dinner and had plenty of wine, but it was especially brave to pick a region that the speaker himself admitted had a "reputation for dullness." However, Dyer managed to be both entertaining and informative as he explained how the region had been defined and perceived from its glory days as the Kingdom of Mercia to the Industrial Revolution. In his lecture, he highlights the serious issue that although the Midland region has an important role in the history of industrialization, there is no clear consensus as to its geographical boundaries. He also states that the Midlands don't seem to instill any sense of regional loyalty, unlike many other areas of the British Isles, despite its achievements. Dyer proposes a number of different interpretations and puts forth the idea of a "central belt" stretching from the northern borders in the east to the southwest. However, he concludes that this is likely to be too much for many ardent northerners to stomach.

The succeeding session, "Risk and Uncertainty," continued with **Yadira González de Lara** (Ente Einaudi, Bank of Italy), who presented "Institutions for Contract Enforcement and Risk Sharing: From Debt to Equity in Late Medieval Venice." She discusses the development of financial institutions within the political context of Venice and notes that this has implications for the field of development economics. The Venicians moved from using debts (sea-loans) to the *commenda*, which had features similar to equity. She considers the role of institutions in contract enforcement. The audience proposed several alternative frameworks. They argued that the perceived immorality of usury would force merchants out of debt contracts. González de Lara pointed out that although the sea-loan was declared usurious in 1236, the transition had started much earlier. Another alternative view was that there was a change in bargaining power between merchants and traders. However, this explanation actually refers to a different type of contract, the *societas mares*.

Ann Carlos (Colorado) and **Larry Neal** (Illinois) followed with their paper, "How Individuals Managed Risk During the South Sea Bubble," where they investigate the response of individuals in the London stock market to the South Sea crash of 1720. The data set comes from transfer books and stock ledgers for the Bank of England. (This data set should eventually become available online.) The speakers contend that despite the upheaval of the crash the customer base became larger and more diverse. González de Lara asked for further details regarding the effects of the crash. Neal mentioned that while the British government could sell new debt, the French (who had just undergone the Mississippi crash) could not.

In her paper, "Bayesian Learners of Knightean Entrepreneurs? How Sophisticated Investors React to Substantive Uncertainty," **Monika Pohle Fraser** (Halle) considers the case of 19th-and 20th-century banks. She places a greater emphasis upon reputation and personal information than upon a technical analysis of the businesses' finances. Interestingly, banks hardly ever asked for collateral, as this was a perceived slur upon the customer's reputation with potentially harmful effects on the client business. Technical information was difficult to obtain. Mark Casson (Reading) asked whether the cost of information is the key explanatory factor. Pohle Fraser replied that banks themselves produced objective information, so they knew its limitations even if it could be produced at a low cost.

The next session was entitled "Trade, Credit, and Innovation." In her paper, "Viticulture and Wine Trade in 18th-century Languedoc," **Noelle Plack** (Birmingham) claims that viticulture contradicts the traditional analysis of the Annales School, i.e. that French agriculture stagnated until the Middle Ages. The Languedoc supplied both national and international markets. Peasants did not resist commercialization but transformed poor hillsides into vineyards. Larry Epstein (LSE) asked whether the fall in transaction costs leading to a rise in domestic consumption could be quantified. He suggested the use of price data.

Paola Avallone (Italian National Council of Research) looks at the *monti frumentari* system of agrarian credit in southern Italy in "The Origin of Agrarian Credit: The 'Monti Frumentari' in Southern Italy, 1500-1800." She shows its concentration in particular regions. Epstein noted that it was a top-down institutional story. Avallone replied that sufficient documentation to construct an idea of how things actually worked on the ground only existed for the 19th century. O'Brien suggested that further investigations should attempt to explain the pattern of regional concentration. Maxine Berg (Warwick) wanted to know how closely the behavior of the poor was monitored and suggested that usurers might be preferred, because they asked fewer questions concerning individual circumstances and morality.

In his paper, "The Culture of Credit in 18th-Century Commerce," **John Smail** (UNC-Charlotte) questions the traditional story that assumes as the British economy expanded in the 18th century the credit system became more sophisticated and rational. He asserts that there were notable differences between regions, which he attributed to significant cultural differences. Epstein pointed out differences in market structure and access to capital as an alternative explanation. O'Brien felt that a cultural explanation could be woven into the story. One example he proposed is that levels of trust were different due to factors such as the distance traveled to markets. Smail concluded by saying that if a particular set of market structures was in place, then this played a part in fostering a set of attitudes in the people using that market.

Nancy Cox (Wolverhampton) presented a paper entitled, "Perceptions and Representations of the Itinerant Trader in the 18th Century," during the session, "The Retailing Revolution: A Reassessment." Cox relates that authorities saw little difference between itinerant traders and vagabonds, while shopkeepers saw such traders as price competition. Customers, however, welcomed the competition and convenience. The sanitized and romanticized view of Wordsworth also colored how they were perceived. Margaret Spufford (Surrey at Roehampton) noted that such traders were a valuable source of information and gossip and, as such, were welcomed into family drawing rooms.

Francois Crouzet (Sorbonne) gave this year's Tawney Lecture, "The Historiography of French Economic Growth in the 19th Century." Hudson introduced him by saying that he was a most appropriate speaker, as he himself was an admirer of Tawney. Crouzet was able to share some personal recollections of Professor Tawney and to say how kind the Tawneys were to him when he had just arrived in England from France.

Crouzet began by saying scholars in the United States, and also such writers as Sir John Clapham, had stressed French backwardness, but this view had been revised and then revived over the years. Writers like

Stanley Hoffmann and David Landes used sociological explanations based on factors such as poor entrepreneurship, an anticapitalist outlook, and rigid hierarchical structure. The first French economic history written by a Frenchman, Henri See, put forward the idea that France had not undergone much change by 1840 but subsequently made astonishing progress in mechanization. However, See thought that France was still basically agricultural by 1914, despite being the world's banker. Crouzet argues that the historiography of France was "obsessed with failure."

Cliometric approaches were undertaken by Kuznets, O'Brien, Keyder, and Levy-Leboyer among others, however, traditional historians criticized their work on the grounds that their sources were too scarce and unreliable. The statistical results appear to show that although French GDP grew more slowly than in other countries, GDP per capita was not markedly different. Levy-Leboyer's viewpoint was that even though Britain and France followed different paths, Britain's was not the only way. For France, although coal and iron were relatively more expensive, her comparative advantage lay in skilled labor and capital. France also did well in luxury, quality, and fashion goods, and the industries that produced such goods were supported by Paris merchant banks. Innovation came in the form of new products and fashions, not in new machinery. Cameron and Friedman's work in 1983 showed that French economic performance was creditable in contrast with other industrialized countries. Indeed, Newell showed that France did not fit in with Gerschenkron's principals of backwardness. O'Brien and Keyder argued that France and Britain had followed paths which were too similar to warrant criticism of the French.
Gradually, what Crouzet terms "moderate revisionism" prevailed. This allows for some weaknesses in the 19th-century French economy. Broder pointed out that the newest industries were dependent on foreign technology. Crafts, writing in 1984, felt that French income per capita was respectable, although not outstanding. However, Crouzet argues that the disastrous performance of the French economy in the last 20 years stimulated anti-revisionism. Advocates of free trade thought that the French government meddled too much with the economy. Textbooks and works that synthesized the various approaches stressed that it was difficult to draw up a balance sheet for France and gave ambiguous accounts.

Crouzet concludes, however, that these key points can be made. On the positive side French innovation improved upon existing British technologies, and, after the late 19th century, the economy was boosted by the production of motorcars. France became a world financial power, and large capital exports did not harm industry. These positive effects were offset by other factors. Aftereffects of the French Revolution and Napoleonic wars persisted. Eugene White wrote that the war indemnity paid after Waterloo was the largest reparation in terms of the burden on the economy ever paid. France also paid reparations after the Franco-Prussian War. O'Brien noted that Britain was able to capture a large part of the international market for services. In addition, even by the mid-19th century, the Industrial Revolution was not over. By 1913, France had large industries but was not really an industrialized country, as there were strong regional differences. It remained a peasant economy. In fact, only in 1911 did employment in industry outstrip that of agriculture. Finally, demographic factors meant that although French per capita GDP was close to that of the most successful countries, their population grew relatively slowly. Birth control made sense for families to maintain their standard of living, however, it had negative long-term consequences in terms of military and economic power.

Conference delegates were also able to attend a session entitled "Perspectives on Economic and Social History." Excerpts from video interviews with members of the Society were shown, and a workshop discussion of the new EHS web-based services were held. Delegates could also choose between two field trips: the celebrated Jewelry Quarter of Birmingham or the Witley Court mansion. The conference dinner was held in the imposing surroundings of the Council House, which, fittingly, was built as a testament to Birmingham's industrial power. The next EHS conference will be held April 2003 in Durham, England.

Call for Papers

Annual Conference of the Economic History Society

University of Durham, England
April 4-6, 2003

The 2003 annual conference of the Economic History Society will be hosted by the University of Durham on April 4-6. The Conference Program Committee invites proposals for entire sessions, as well as for individual papers. Proposals are welcomed on all aspects of economic and social history, covering a wide range of periods and countries, and the committee is particularly interested in papers of an interdisciplinary nature.

For each proposed paper, please send (preferably by e-mail) an abstract of 400-500 words to:

Maureen Galbraith
Economic History Society
Dept. of Economic & Social History
University of Glasgow
4 University Gardens
Glasgow
G12 8QQ

E-mail: ehsocsec@arts.gla.ac.uk

For full consideration, proposals must be received by September 27, 2002. Notices of acceptance will be sent by November 16, 2002.

BOOK PREVIEW

The Great Depression

By Gene Smiley

Note: The following preview is an excerpt from chapter one of ***The Great Depression*** *(Forthcoming, Ivan R. Dee Inc., Fall 2002). This title is part of the American Way Series.*

On Monday, March 4, 1929, in the midst of a drizzling rain, Herbert Clark Hoover took the oath of office as President of the United States. In his inaugural address, he waxed enthusiastically about the United States under the Republican administrations of the 1920s. The US had achieved a higher degree of comfort than had ever existed before anywhere on earth. In fact, according to Hoover, the country had been liberated from widespread poverty. During the 1928 presidential campaign, a Republican brochure promised a chicken in every pot and a car in every garage. Such glowing promises of what the public could expect under Hoover's administration were not considered outlandish at the time.

By the summer of 1929, however, there was a noticeable slowdown in economic activity. The dark clouds of an economic contraction continued to spread throughout the rest of the year. In the last week of October, the stock market crashed, and economic activity declined more rapidly. The depression that had begun in the early summer of 1929 dragged on for four years, and it became clear that rather than a "liberation from widespread poverty" the shadowy hand of poverty had spread further into American society. Recovery from this depression was so slow that the entire decade of the 1930s is now called the Great Depression. It is the only decade in the history of the United States where there was no economic growth; income per person in 1939, adjusted for changes in the general level of prices (or real income per person), was less than real income per person in 1929.

Hoover's characterization of the US economy at the beginning of 1929 and his promises of what were to come were not unrealistic. The United States made substantial real economic gains during the twenties. Whereas automobile companies produced 1,658,000 cars in 1919, production had nearly tripled by 1929. Also, in 1919, there were 1.12 cars registered for every four households in the United States; 10 years later, there were 3.15. With this rise in car ownership and a growing fleet of used cars, there was every reason to think that within a reasonably short period of time most families could own an automobile. And, the "chicken in every pot" phrase accurately reflected the growth of incomes during the previous decade. Between 1923 and 1929, real income per person (measured as Gross National Product per capita in 1929 dollars) increased 12.6% from \$763 to \$859. The population of the United States increased from 111.9 million to 121.8 million during those same years. Other measures also point to strong real economic growth during the twenties. Again, between 1923 and 1929, the real average annual earnings of employees increased 15.7% as real wage rates rose. Manufacturing production increased 23.5% for the same time period, while productivity (output per man-hour) rose nearly 14%.

The American economy did not simply produce more of the same things; it produced many new products and services. A key to much of this growth was the spreading use of commercially generated electricity.

Electricity was the basis for a multitude of other new consumer products, such as refrigerators, phonographs, electric irons, electric fans, electric lighting, toasters, vacuum cleaners, and other household appliances. To deliver electricity to homes, electric utility companies were created to generate and transmit electric power. Radios and radio stations first appeared in the early twenties and quickly became an important source of news and entertainment as they began to break the isolation of rural life. By the mid-twenties the first national radio networks appeared, and by the end of the decade there were three such national networks. The new RCA (Radio Corporation of America) was one of the highest-flying stocks in the stock market boom of this decade.

Rising incomes and slowly declining workweeks, along with the convenience of the automobile, led to a revolution in leisure activities. The explosion of movie theaters and the development of Hollywood can also be attributed to the expanded use of electricity. Professional sports became big business, drawing in large crowds. More people began to travel on a regular basis, and motor hotels (or motels) and roadside diners that catered to the motoring crowd became common. Greater automobile use led to an expanded program of paved road construction to accommodate the increasing number of motorists. Cities had to post policemen to direct traffic at intersections and finally began to install electric traffic signals to allow the crush of city traffic to move. Suburbs sprang up around cities as the automobile allowed increased ease and flexibility in getting to work. Jitneys (unlicensed taxis) and then taxis competed with the fixed rail mass transit systems that larger cities had created. Sears Roebuck and Montgomery Ward, the two largest mail order firms, opened retail stores on major streets leading to the downtown areas of cities in order to take advantage of the growing automobile traffic and movement of population away from city centers.

Rising incomes and production were brought about by sustained gains in productivity in agriculture and manufacturing. The development of the gasoline-powered tractor paralleled the development of the car and the truck. Mechanization on the farm increased when the versatile row-crop tractor appeared in the mid-twenties, and the average size of family farms began growing. Increases in productivity in manufacturing reduced the unit costs of products. Henry Ford had pioneered the development of the moving assembly line in 1913, which changed the nature of manufacturing. Production of Model T Fords at the Highland Park factory rose from 78,000 annually to 248,000 annually with the full introduction of moving assembly lines in Ford's plant. These gains in productivity were dramatic, and Ford's profits increased sharply. However, work on the assembly lines was hard and labor turnover was high. Ford was able to give eligible employees the benefit of profit sharing due to his additional profits, effectively doubling the wage rate to $5.00 per day, and his problem of high labor turnover disappeared.

During the 1920s, moving assembly line technology spread to other automobile producers and into the production of many other types of products. By mid-decade, Ford's new River Rouge plant was producing nearly 1.8 million Model T Fords each year, and the price of the Model T had fallen to $240. In 1929, Ford and Chevrolet alone produced almost 2.5 million cars. A crucial factor in this productivity rise was the increased use of electricity in manufacturing. Machinery could be powered by smaller independent electric motors, which allowed production to be rearranged in a more rational and productive manner and manufacturing to be freed from the constraints imposed by steam or waterpower. Time and motion studies pioneered by Frederick Taylor and others, including Ford, helped increase worker productivity. Thousands of other continuing improvements led to ongoing increases in productivity and rising incomes for most of the population.

It is important to note that some areas of the economy were having more difficult times during the general expansion of the twenties. Grain farmers faced hard times in uncertain markets. During and immediately after the First World War, farming – primarily grain farming – had expanded as increases in overseas demand led to rapidly rising prices. Farm prospects appeared excellent in the heady days of 1917-1919. Farmers borrowed to purchase additional land and machinery, and lenders were generally happy to lend farmers what they asked for, because the security for the loans (the value of the farmland) was rising rapidly. Cash strapped farmers frequently took out second mortgages to obtain the bulk of the down payment. Unfortunately, the good times did not last. European agricultural production recovered quickly, and by early 1920 agricultural prices (especially grain prices) were being driven downward by huge declines in overseas demand for American foodstuffs. The United States endured a sharp, but mercifully short, depression between mid-1920 and mid-1921. While wholesale and consumer prices rose between 1919 and 1920, consumer prices fell 11.3% between 1920 and 1921, and wholesale prices fell nearly 46%. Agricultural prices as a whole declined slightly between 1919 and 1920 and then, led by grain prices, plummeted 53.3% between 1920 and 1921. Even though grain prices recovered somewhat by the mid-twenties, they never approached the levels of 1917-1919. Farmers' real debt burdens increased dramatically as farm prices and income fell, but debt remained fixed. Throughout the twenties there was a continuing series of farm foreclosures, while the prices for farmland, the supposedly safe security, continued to decline.

The coal industry also failed to share in the general prosperity. Too much productive capacity and declining demand plagued the industry. Low prices meant low incomes and uncertain employment for miners. Technological improvements allowed coal users, such as electric utilities, manufacturing, home heating, and steam engines, to use less coal while obtaining as much or more energy. Competition increased from electricity, oil, and gasoline and contributed to reductions in the price of coal. The old-line industries of textiles and shoes were two other industries that suffered from slow growth and declining profits. The workers in those declining industries did not share in the good times, because adjustment and relocation was often slow and painful. However, too much emphasis should not be placed on these problem areas. They did not detract from the overall prosperity of this decade, a period of rapid technological change, where new products and new processes appeared. In such dynamic periods, some grow while others decline.

Even the federal government basked in economic prosperity during the 1920s. In 1913, the US government imposed a modest, slightly progressive, personal income tax. With this revenue structure in place, Washington used the income tax as a major source of additional taxes to finance the First World War. In 1914, the lowest rate on net incomes of $4,000-$6,000 was 1%, while the highest rate on incomes in excess of $750,000 was 7%. By 1918, the lowest rate had risen to 6% on net incomes of $2,000-$4,000, with individuals with net incomes in excess of $750,000 paying 76% of their income on anything above $750,000. Income tax rates were reduced somewhat at the end of the war, and though there was general agreement that rates should be reduced further, there was disagreement over how much and for whom. Both Democrats and Progressive Republicans argued for smaller reductions for lower income taxpayers. Secretary of the Treasury Andrew Mellon and the Republicans contended that since there was widespread legal tax avoidance by higher income taxpayers, the only way to reduce this problem was to have a general rate reduction, particularly for the high income taxpayers who faced high marginal tax rates.

Unable to find effective ways to plug tax loopholes, Congress finally reduced the highest tax rate to 25% on net incomes over $100,000. The lowest rate was reduced to 2% on net incomes between $2,000 and $6,000, although increased personal exemptions sharply reduced the number of taxpayers in that tax bracket. The federal government had budget surpluses throughout the 1920s; however, these surpluses were not reduced when tax rates were cut. The share of the total federal income tax burden borne by the highest taxpayers rose throughout the decade despite the fact that they had the largest absolute tax rate cuts.

In 1924 common stock prices began rising, and in 1925 the Standard and Poor's common stock index surpassed its 1916 peak. Stock prices continued to rise in the late twenties as one of the great speculative stock market booms in history unfolded. In some ways, the stock market mirrored the rise of skyscrapers, such as Minneapolis' Foshay Tower, Chicago's Wrigley Building and Tribune Tower, and New York City's Chrysler Building and Empire State Building. Just as the Depression ended skyscraper construction until the 1950s, so did the stock market crash in October 1929 signal the end of the speculative booms of the 1920s. The first speculative boom in farmland at the end of the First World War was followed in the mid-twenties by a spectacular speculative boom in Florida real estate centered in the Miami area. This Florida boom collapsed with the 1926 hurricane and supply bottlenecks that choked the railroads and ships bringing supplies to Miami. But the stock market boom more than made up for the collapse of the speculative boom in Florida, as stock prices soared in 1928 and 1929 before they finally collapsed in late 1929.

Until its collapse, the stock market took Americans on a dizzying ride. Stock prices and the daily volume of shares traded continued to set records during the late twenties. The speculative boom was interrupted several times by price breaks and dire predictions of the end of the bull market, but each time it recovered. New securities were issued as merger activity accelerated, and holding companies were formed to take advantage of rising security prices. Large American corporations began lending money to Wall Street brokers to make margin loans – where buyers of securities put up 20-30% of the purchase price of the securities and borrowed the rest from the broker – as interest rates on those loans rose. In some cases, the interest on margin loans exceeded the firm's expected returns on new investment projects.

There are no definitive answers to why the boom started or why it gathered such strength. In the first half of the decade, common stocks appear to have been under priced. As firms adopted policies that paid stockholders stable dividends and as corporate profits rose, common stock prices were bid up. In 1924 and 1927, the nation's central bank (the Federal Reserve System) engineered temporary lower interest rates, which helped to boost stock prices. Expected profits grew, and investors continued to bid up stock prices. Speculating investors used small amounts of their own cash and borrowed up to 70-80% of the purchase price. This allowed them to buy shares of a stock, wait for the stock's price to rise, sell the stock, repay the margin borrowing with interest, and reap significant capital gains on their small cash investment. However, margin lending alone cannot explain the stock market boom. There was already a long history of margin lending on stock exchanges, and margin requirements (the share of the purchase price paid in cash) were no lower in the late twenties than in the early twenties or previous decades. For that matter, in the fall of 1928, margin requirements began to rise, and borrowers had to put up larger shares of the purchase price of the stocks.

The economic downturn that began in the summer of 1929 reduced profit expectations, and this worked its way to Wall Street. On September 3, 1929, the Dow-Jones index reached its peak of 381 and then declined unevenly until October 21. The stock market crashed the following week, with record declines and record numbers of shares changing hands on Black Thursday and Tragic Tuesday. The index continued to decline as brokers cleaned up accounts and sold the stocks of clients who could not raise additional margin. On November 13, the slide stopped when the Dow-Jones index hit 198. There was some recovery in the following months, however, the stock market continued to fall into the summer of 1932, and the Great Depression was well underway.

Following the crash, President Hoover moved to cushion the shock. A believer in planning, Hoover concluded that he would not allow wages to decline and unemployment to rise, as had occurred in the depression of 1920/21. Hoover described this as a "liquidation" of labor, stocks, farmers, and real estate. He convened a series of White House conferences with leaders of industrial, construction, and public utility firms late in 1929 to coordinate actions of business and government agencies in order to minimize the harmful effects of the contraction and to keep the contraction short. His message to all these groups was similar. Wage rates must be maintained to maintain labor's purchasing power. Labor was not a commodity and should not be liquidated. If these firms found it necessary to reduce wage rates, they should not be reduced by any more than the reduction in the cost of living. Firms should do everything they could to maintain employment, and any reductions in work should be spread across the entire labor force by reducing the workweek rather than by laying workers off. The firms should allow their profits to fall rather than wages. In addition, they were to maintain, if not expand, their investment in buildings and machinery. The leaders publicly agreed to this at the November meetings and at a larger conference in Washington in December.

The contraction intensified the demand for a tariff bill as industry after industry pleaded for additional protection. The resulting Hawley-Smoot tariff sharply raised the duties on a massive list of items imported into the United States. Despite an open letter from over one thousand economists urging him not to sign it, Hoover approved the legislation in June 1930. International trade was already beginning to contract because of a worldwide depression, and the tariff accelerated this. The agricultural sector, which initiated the call for a more protective tariff, received little help from the bill, because there had been few imports of important agricultural commodities in the twenties. The tariff bill was necessary, however, because if the Federal Farm Board and cooperatives were able to stabilize grain prices at levels above world prices, increased imports of grain would occur without it.

There appeared to be some hope that these actions might have the effect that Hoover was hoping for. The contraction seemed to lessen somewhat in the first half of 1930, and stock market prices actually rose from mid-November through May. However, from June on it was apparent that these actions were having little impact in slowing or reversing the accelerating contraction. Incomes continued to decline as real Gross National Product per capita fell between 1929 and 1930. The average rate of unemployment in 1929 was 3.2%, but by December 1930 estimates place the unemployment rate as high as 14%. Prices also fell during 1930. Consumer prices declined, while wholesale prices fell. In contrast to rising unemployment, falling prices, and national income, money wage rates in larger businesses remained almost constant for much of 1930 as firms kept their pledge to Hoover by holding wages constant. Only in the last quarter of 1930 did some firms finally begin to reduce money wage rates. However, the declining price level raised the real wage rates as product prices and sales fell. Firms responded by laying off workers, and as a result, unemployment rates began rising.

In addition, in 1930, a drought hit the southern regions of the United States in a belt stretching from Maryland to Arkansas. Cotton crops withered and died, and landlords ran out of money to help their penniless tenant farmers. By fall, hunger was a serious problem in drought stricken areas. Hoover relied on the Red Cross to provide supplies to the needy, but the Red Cross did not have adequate supplies. On January 3, 1931, hungry tenant farmers who had no food and no income marched on England, Arkansas demanding that the stores provide some type of food to carry them through the winter. Hasty negotiations between the Red Cross and local representatives led to the opening of a local grocery store and the distribution of provisions to the needy. The story of the march was carried across the United States as an ominous sign of what was happening. Similar "food riots" occurred in other cities that winter, including Oklahoma City, Minneapolis, San Francisco, and St. Louis.

Another sign that something more was occurring came in late 1930, when many banks in the southeastern part of the United States failed. Most of these, like bank failures in previous months, were small banks in agricultural areas, where poor loans and investments in the twenties had left the banks in shaky financial condition. Declining crop prices at the end of that decade and in the initial stages of the Depression made it difficult for farmers and merchants to repay their loans. However, there was more to the problem than this. The majority of the banking failures came in November and December 1930 and was related to the failure of Caldwell and Company, the largest investment-banking house in the South. To assist in floating and placing new bond issues, Caldwell had established the Bank of Tennessee and gained control of several bank chains and the largest insurance group in the southeast. By the late twenties, Caldwell and Company was experiencing financial problems because of inadequate cash and liquid assets and merged with the Banco Kentucky holding company in June 1930. Banco Kentucky, however, was itself in financial difficulty with a number of slow loans and expected Caldwell to bail them out.

When Caldwell and Company failed in November, its complex structure tumbled like a house of cards. In Little Rock, Arkansas, the collapse led to the failure of the Caldwell-controlled American Exchange Trust, because the bank had lent the Caldwell-controlled Home Insurance Company $100,000 in the summer. With the disclosure of the failure of a major borrower of the bank, a run developed, and the American Exchange Trust lost several million in deposits over the course of four days. In chain banking, the key bank holds most of the reserves for the other banks, and within days 45 other banks in the Arkansas chain failed. The failure brought down Banco Kentucky and 15 associated Kentucky banks. Ten more banks in Tennessee and 15 banks in western Carolina with ties to Caldwell and the Bank of Tennessee failed. In December, there was another flurry of bank failures in the same region because of ties to Caldwell and Company.

In December, New York-based Bank of the United States also failed. At the beginning of the 1920s, this had been a small bank serving a largely Jewish population in Brooklyn. The son of the founder rapidly expanded the bank, and by the end of the decade, the bank's large real estate portfolio made its position shaky. When the bank failed, it was the largest single bank failure to date. As banks weakened around the United States during the early thirties, because of the continuing contraction, more banks began to fail, and conditions continued to deteriorate. Americans worried about the safety of the banks started to systematically reduce their bank deposits in favor of holding more cash. Consequently, banking failures in the United States continued to rise rapidly, and although the pace of the economic contraction slowed, by midyear unemployment again began to increase. Stock market prices bottomed out in the summer of 1932, and the contraction continued into 1933.

By this time, proposals for government action were coming from many conflicting quarters. Hoover called "economy conferences" to try to explain what his administration viewed as desirable versus undesirable cutbacks in government spending. His administration also proposed and Congress passed the Revenue Act of 1932 in an attempt to reduce the growing federal budget deficit. This act resulted in massive increases in taxes. Usual federal personal income tax rates were doubled, and surtaxes on personal income rose dramatically. The top surtax, for example, was increased from 25% to 63%. Wartime excise taxes were revived, other taxes increased, and new taxes were proposed on items such as gasoline, tires, autos, electric energy, malt, toiletries, furs, and jewelry. Taxes also increased on admissions to theaters and movies and on stock transfers. The act levied new taxes on bank checks and bond transfers, as well as telephone, telegraph, and radio messages.

Public frustration with the seemingly endless depression began to surface. By the end of 1931, the dramatic decline in the sales of Ford cars led to massive layoffs and cuts in Ford wage rates. Ford produced a million and a half cars in 1929, but by 1932 production had declined to near 400,000. At times, the giant River Rouge plant was like a tomb. Henry Ford and his service department of internal police were no longer held in high esteem by the people of Detroit. On a cold March day in 1932, Communist organizers and the Detroit Unemployed Council led 3000 men and women on a hunger march toward gate number 3 at the

Rouge plant in Dearborn, Michigan. As soon as they crossed the city line from Detroit to Dearborn, the Dearborn police and Ford service department security police ordered them to turn back to Detroit. When the marchers ignored the directives, the police waded in with tear gas and nightsticks. Gunfire soon erupted, and by the end of the battle, four marchers were dead and sixty more were wounded. The police then arrested all the radicals they could find.

In May of that year, the convention of the National Farmers' Union was held in Des Moines, IA. NFU president Milo Reno was convinced that farmers' only recourse to combat low farm prices was to strike by withholding their output from the market. Reno, who had initially studied for the ministry and whose fiery oratory led the NFU, had been arguing for a strike or boycott since 1927. He insisted that a strike by farmers to withhold the sale of their livestock and produce, especially milk, would raise prices to the point where farmers could again earn an income that at the very least covered their costs of production. The convention authorized a Farmer's Holiday Association to get farmers to withhold sales. The strike began in August, as farmers blockaded roads and sometimes forcibly turned back trucks carrying produce to markets. The strike centered in Iowa, Minnesota, and Wisconsin, but some strike activities were also seen in other neighboring states. Though strikers were sometimes arrested and, under pressure from farmers, released from jail, the strike never garnered significant support among farmers.

Milo Reno and the National Farmers' Union also encouraged farmers to rebel at the farm foreclosure sales. In the early thirties, farmers attempted to forcibly stop evictions and break up foreclosure sales. In some cases, they would band together and bid on properties at very low prices. One study estimated that at least 76 foreclosure sales were blocked by these methods at the beginning of 1933. Agricultural interests pursued moratoria on farm mortgage foreclosures. Iowa legislators received the message, and in 1933 passed a mortgage foreclosure moratorium law. Minnesota Governor Floyd Olson also issued a decree establishing a one-year moratorium on farm mortgage foreclosures, and other farm states passed similar laws. The Supreme Court upheld the constitutionality of the state foreclosure moratoria laws despite the private property protection clause in the Fifth Amendment.

The largest expression of discontent was the Bonus Army's march on Washington in 1932. In 1924, Congress passed a bonus bill for veterans of the First World War. Money was to be placed in an endowment fund to earn interest so that in 1945 each veteran would receive an average of $1,000. The American Legion had pushed the bill for four years, and Congress had to override President Calvin Coolidge's veto to enact it. In 1931, Congress overrode Hoover's veto and passed the Emergency Adjusted Compensation Act. It allowed the veterans to borrow, at low interest rates, about half of the money they had been scheduled to receive in 1945. By 1932, demands for the outright payment of the bonus were growing. In early May, the House Ways and Means Committee recommended against such a bill. This caused Walter Waters, an unemployed veteran in Portland, Oregon, to lead a march of unemployed veterans from Portland to Washington DC to demand payment of the bonus. Picking up fresh recruits along the way, the "Bonus Expeditionary Army" reached Washington at the end of May. Within weeks they were joined by thousands more marchers. It was estimated that, at its peak, almost 25,000 marchers were living in

27 encampments around Washington. Inspired by the presence of the marchers, the House of Representatives suddenly resurrected and passed the bonus bill, which was subsequently defeated by the Senate, and the marchers gradually began to drift home.

President Hoover signed a bill in July to give marchers money to return home, but as the bill's deadline came and went, there were about 10,000 veterans in Washington. With the passing of the deadline and Bonus Army marchers still encamped in the city, Hoover decided it was time to remove them. He issued orders to Pelham Glassford, the chief of police in the District, to do just that. The next afternoon, Glassford and the police had a confrontation with the unemployed veterans at the Anacostia Bridge. Hoover was asked to send in troops to assist the police. Though he had orders to cooperate with the police and use as little force as possible, General Douglas MacArthur cleared the buildings in Washington, drove the Bonus Army back to the Anacostia bridge, and burned all of the marchers' makeshift huts on Anacostia Flats. The fires could be seen for miles, and the Bonus Expeditionary Army marchers began straggling out of Washington. Hoover took all of the blame for the incident, never mentioning that MacArthur had directly disobeyed his orders. From that moment on, Hoover's reelection campaign was doomed.

Roosevelt won a landslide victory and swept a Democratic dominated Senate and House into Washington. After the election, rumors began circulating that Roosevelt would devalue the dollar relative to gold in an attempt to stimulate recovery. Roosevelt refused to confirm or deny the rumors and would say nothing about what his economic policies might be after he took office on March 4, 1933. He was trying to distance himself from Hoover's failed policies. Critics contend that he was also allowing the economy to continue to decline so that he would look more like a savior when he took office and began his own programs. Consequently, Hoover was handcuffed in his attempts to propose policies that might reverse the declining economy.

In October 1932, an important chain of banks in Nevada appeared ready to fail. With few banks in the state, Nevada authorities were worried about the effects of such a failure. At the end of the month, they took the dramatic step of declaring a banking holiday to relieve the banks of the necessity of meeting withdrawal demands from depositors. The following January, the House of Representatives released the names of all the banks that had received RFC loans before August 1932. This increased the conversion of deposits to currency, further weakening the banks. New demands also appeared. Some depositors specifically began requesting gold, not just currency. If Roosevelt did devalue the dollar, then each ounce of gold held would suddenly be worth more dollars than before, and each dollar of currency held would be worth less gold than before. Clearly those who held gold would gain from a devaluation of the dollar. As Roosevelt continued to refuse to comment, the runs on banks accelerated, economic activity contracted faster, and unemployment levels increased.

Banks simply did not have enough cash or gold reserves to convert all of their deposits. The Federal Reserve System, the nation's central bank, was unable or unwilling to provide sufficient cash or gold reserves to the banks. As banks tried to sell loans and securities (where they could find buyers) to obtain cash to pay panicky depositors, the prices of the loans and securities declined, and the bank's assets fell to less than their liabilities. Consequently, bank runs and failures rose during the interregnum between Roosevelt's election and his swearing in as President. The state of Iowa declared a banking holiday in January 1933, followed by Louisiana and Michigan. Maryland, Arkansas, Indiana, and Ohio also declared banking holidays to restrict withdrawals from banks. Banks still open and trying to meet withdrawal demands were reducing their account balances at the big New York City and Chicago banks where the nation's financial markets were centered. The losses of reserves in these two banking centers were threatening the banks in those cities. Banking holidays relieved the pressure on the banks in the state declaring the holiday, but this merely shifted the withdrawal pressure to banks in nearby states that were still open. Hoover worked tirelessly trying to prevent banking holidays right up to Roosevelt's inauguration. Realizing that the closing of banks in New York City and Chicago would signal a shutdown of the entire system, he sent urgent pleas to the governors of New York and Illinois to resist declaring bank holidays. However, in March 1933, both governors gave up and declared banking holidays in their states. By that time 30 states had declared banking holidays, and where the banks were still open, restrictions were often imposed. In many cities, scrip was issued because of the shortage of cash as banks closed.

The collapsing financial system led to further contraction of economic activity. By March 1933, over 28% of the labor force was completely unemployed. Excluding the agricultural sector, the unemployment rate may have approached as high as 38%. In 1939, the WPA (Works Progress Administration) conducted an extensive study of Dubuque, Iowa residents. Many of those they interviewed had been unemployed for at least two or three years. Often these long-term unemployed lost their homes, and those who managed to keep their homes frequently had their grown children with families move in with them. Their savings had been depleted, and only the most essential purchases were undertaken.

Unemployment varied by region during the Depression. In the South Atlantic, for example, employment fell less and recovered more quickly. The regions that suffered most were the major industrial areas of the East, North Central, and Mid-Atlantic regions, because of the dramatic decline in production in heavy industries, and the Mountain region, where much of the mining was located. Durable manufacturing (which includes such items as steel and other metals, automobiles, trucks, farm implements, tires, large household appliances, and business machinery and equipment) in 1933 was only 23% of the volume achieved in 1929. As depression-era consumers decreased their demand for durable goods, the demand and production of durable goods and capital goods for business investment plummeted. The combination of reduced spending and falling prices led to increased rates of business failure. During the 1920s, the annual business failure rate had averaged about 100 per 10,000 enterprises. By 1932, this failure rate had increased to over 50%.

The financial system had been devastated during the long contraction. In 1929, there were 24,970 commercial banks in the United States. In 1933, there were a little over half that number. The largest banks, most of which had national charters, were members of the Federal Reserve System, and the number of these banks also fell dramatically as 27.5% of the member banks failed. Much more numerous were the small independent unit banks that had state charters and were not members of the Fed. These banks dominated banking in rural areas, small towns, cities, and the suburbs of the largest cities. Between 1929 and 1933, over 45% of small nonmember banks failed.

The failure of a bank had dreadful consequences for a community. The federal government insured none of the deposits in banks before 1933, and the few state attempts at deposit insurance could not withstand major economic contractions such as the Great Depression. The majority of families and individuals used banks to hold their money in savings and time deposits. Businesses and wealthier families and individuals primarily held checking account deposits in banks. When a bank entered bankruptcy, all activities and account transactions were suspended. The bankruptcy judge would begin selling the bank's assets, such as loans, securities, and real property, in order to obtain funds to pay the bank's creditors. This process generally took several years, frequently longer, and during the interval depositors were unable to obtain any of the dollars in their accounts. If they were lucky, when the liquidation was complete, they might receive most of their deposits held at the time of failure, but often they received only 60-70 cents for each dollar of deposit. Businesses that had relied on the bank for lines of credit and other business loans were forced to turn elsewhere if such sources of borrowed funds could be found. Business deposits in the failed bank were frozen just as were the deposits of families and individuals. Consequently, both families and businesses in the failed bank's area lost part of their wealth, and they reduced household and investment spending because of the bank failure.

Clio Conference *(Continued from page 1)*

remarked that crucible steel could have played an important role, as it permitted dies to survive much use. Richard Sylla (NYU) wondered about the occurrence of wildcat minting if, as Selgin seems to suggest, free enterprise could take care of everything. Selgin replied that he did not believe wildcat banking had been common in the US, and those laws limiting branch banking were a more fundamental cause of some free-banking problems. He also reminded the audience that issuers of private coins were very prominent individuals. No random person could create token coins successfully.

Siddharth Chandra (Pittsburgh) observed that the timing of steam-struck coins did not match previous books' dates and inquired what archival evidence those books had used. Selgin said that recent books used only secondary sources, explained the source of one potential misunderstanding by other authors, and described his discussions with pneumatic experts. Gerben Bakker (LSE) inquired what forces prevent coin makers from cheating? Who were the counterfeiters, and how did they operate? Selgin answered that legitimate producers had the greatest opportunity to counterfeit. Because of the collectors' market for coins, some makers purposefully produced some deviant coins, known as mules. Referring to old tables describing the values of different banknotes, Marvin McInnis (Queen's University) asked if there were problems of convertibility along these lines and reflected that it was striking that there was no discounting. He continued by asking if these privately struck coins were used throughout the realm, which led to some doubt of issue. Selgin pointed out that there were redemption agents in different regions and that some issuers were large manufacturers. Yadira Gonzalez de Lara (Ente Einaudi, Bank of Italy) wanted to know why people wanted these private coins and why paper notes were not used at this time? Sylla reminded the audience that there were

Attending a Cliometrics Conference for the first time (l. to r.)
Back: Jason Long, Paul Auerbach, Peter Meyer, John Devereaux, Gil Montant, Gerben Bakker
Middle: Solomos Solomou, Mark Guglielmo, Marc Law, Wade Shilts, Desire Vencatachellum
Front: Noel Johnson, Marcia Frost, Yadira Gonzalez de Lara, Edmund Cannon, Metin Cosgel, Mu Yang Li, George Selgin

restrictions on the production of small-denomination notes. Fishback concluded the session by observing that if monopolies are a huge problem you can renew them every few years.

Mu Yang Li (Stanford) stayed cool and under control during her presentation of "The Political Economy of Fiscal Development in Nineteenth Century China." Li seeks to model the political economy of fiscal developments in 19th-century China that reflected underlying institutions, and her game theory model endeavors to identify first-order interactions. She states that taxation was a double-edged sword; it mobilized resources for the state, but it also encouraged rent seeking. She maintains that her model accounts for 19th-century fiscal developments: both shocks and the subsequent outcomes. One premise of her paper is the importance of the absence of fiscal revenue for the development of China.

number of questions arose with regard to the bureaucrats' activities and source of remuneration. Fishback observed that the low official salaries of the bureaucrats implied they were earning other profits, in other words, engaging in some illegal rent seeking. But Li responded that this was just one way to compensate the bureaucrats. Mason liked Li's observation about encouraging the elite to learn skills that were not transferable to nonbureaucratic activities like rebelling. Others, including Joel Mokyr (Northwestern) and Williamson, were more skeptical that highly refined studies (such as the history of Orthodox Jews and the history of learning Greek in the liberal arts) could not be transferred to other useful activities. Guillaume Daudin (Stanford) wondered why rulers could only observe riots and not excessive taxation. Could not guilds inform the ruler of excessive taxation? Noel Johnson (Washington University) expressed skepticism concerning the argument that trade taxes would not contribute to social unrest in the same way that agricultural taxes would. Wouldn't the trade taxes increase the price of goods like rice, leading to demonstrations in cities? Desire Vencatachellum (University of Montreal) suggested that many models give the same predictions. How do we know this model is the best way to explain Chinese history? Paul Auerbach (Kingston University) thought that fiscal limitations were partly due to the agricultural crisis that led to the Taipei rebellion. Sylla said that Japan developed with significant institutional reform, including a good financial system. Japan privatized property even at an early point, so state investment may not be the key issue. Mokyr added that there is little evidence that government revenue helped industrialization. He also objected to the supposed positive role of guilds, which he noted were protectionist and opposed technological development. Hans Joachin Voth (MIT) suggested Li's paper might have been entitled "More Joy of Corruption." Wade Shilts (Luther College) asked if the present value rents from becoming a high-ranking bureaucrat were really worth seeking. The wait is 30 years!

Marc Law (Washington University) followed with his paper on "The Origins of State Pure Food Regulation." He rejects the traditional notion that all state regulation finds its origin in rent-seeking behavior. Instead, he believes that state pure food regulations emerged because of the increasing transaction costs faced by consumers in determining the content and quality of products during the late 1800s. As evidence for this thesis, he presents regressions showing that, contrary to the predictions of the rent-seeking theory, the prices of regulated products failed to increase after the introduction of regulations.

Fishback and Craig thought that there were really two papers being presented: the first on the origin of food regulations and the second on the success of those regulations. Neither thought the second argument was made convincingly. Others expressed concern about the use of price data in the arguments about the origin of regulation. Selgin added there was too much emphasis on prices, especially since capture could manifest itself on other margins. Mauricio Drelichman (Northwestern) pointed out that there was no clear counterfactual present in the arguments. Daudin wondered why some products were regulated and others were not. Some participants focused on the methodology behind Law's regression analysis. Voth felt there should be more than prices in the regression. Auerbach wished return on capital had been included, while Chandra questioned whether it would be better to estimate demand and supply simultaneously. Li suggested that he should have controlled for technological change, and Eric Craft (University of Richmond) thought that percent urban/percent rural regressors


Jeremy Atack, Lou Cain, Richard Sylla, and Lee Craig on the Mississippii

should also be used to explain changes in the quantity of regulated products consumed. Louis Cain (Loyola/Northwestern) wanted there to be more distinction between different categories of food. Finally, Jeremy Atack (Vanderbilt) wondered why so many of the regulations had to be federal, since many of the problems were local. On a somewhat related point, Haupert concluded the session by pointing out that processed food is like edible banknotes in that reputation, not government provision, may be the best regulator.

The first day ended with a beautiful dinner cruise on the Mississippi River up to the Dresbach dam, sponsored by the University of Wisconsin-La Crosse Department of Economics and College of Business. Not only did an entire railroad bridge rotate twice so the riverboat could pass, but we were serenaded below deck by the group Prairie Smoke, which includes Mary Ellen Haupert and Betsy Knowles, a member of the La Crosse Department of Economics. Ahh, an economist who plays the fiddle. What talent! We are thankful to the local arrangements staff of Jean Bonde and Penny Tiedt for this fine evening, our banquet arrangements the following day, and the overall organization of food, lodging, and transportation in La Crosse.

Day two of the conference commenced with a paper by **Solomos Solomou** (Cambridge/UC-Davis) written with **Cristiano Ristuccia** (Cambridge), "Electricity Diffusion and Trend Acceleration in Interwar Manufacturing Productivity." Solomou begins by observing that when we look at manufacturing productivity in the interwar period, we observe trend acceleration. His focus is to quantify the relationship between electricity in terms of generation and primary motors used on the one hand, and productivity on the other hand. He is not claiming a monocausal relationship for improving productivity. There were macroeconomic shocks and other technological progress during the interwar period. But Solomou looks at the US, Japan, Britain, and Germany and finds suggestive relations between increases in measures of electrical diffusion and productivity in the first three of his four case studies. The greatest diffusion as measured by primary motors occurs in the US, where the greatest productivity is observed this time.

Marcia Frost (Wittenberg University) asked how we got from electricity to changes in labor productivity and why the lags were so long. Voth noted the difficulty of separating trends from cycles because of the numerous macro shocks and voiced concern that the hedonic aspects of electricity use were taken into account. Gil Montant (University of Caen) suggested using Granger causality tests to investigate the relationship between electricity production and labor productivity. Mokyr reminded the audience that the conference and economic historians have a tradition of being skeptical of the importance of any one particular technology as key to growth or productivity advances. Mason observed that the lags under study reminded him a lot of the lags of monetary policy. He asked if we really knew why and when firms adopted electricity and if rural electrification programs during the Great Depression may have increased usage. Bakker asked how electricity prices varied across countries. Solomou answered that in 1935 a kilowatt was 50% cheaper in the US than England.

Fishback, Edmund Cannon (University of Bristol), and Chandra initiated a discussion of level effects and growth effects. Fishback noted that the paper compared electricity levels to surges in productivity. Why not compare surges to surges? If you first-difference one series but not another, aren't you only identifying breaks in one series? McInnis reminded the economists present that electricity is not just used to power motors. It is also an input into electrolytical manufacturing processes like smelting. Cain pointed out the importance of urbanization, where small central plants were introduced and small manufacturers could use electricity. If one country is more urban, it will introduce electricity sooner. Williamson ended the session on a light note by observing, "You should have come in with a paper saying electricity was not important!"

In the next session, **Hans-Joachim Voth** presented his paper, "Why Was Stock Price Volatility So High During the Great Depression? Evidence From Ten Countries During the Interwar Period." He attempts to convince the audience that uncertainty concerning the persistence of capitalism during the Great Depression was responsible for the observed volatility of stock prices. He backs these claims with a fixed effects model, linking an index of political unrest to the behavior of stock prices in several countries.

Sumner La Croix (Hawaii) started things off by suggesting that Voth concentrate on policy to explain economic uncertainty. Daudin voiced concern that the events chosen by Voth for his study weren't important enough to lead to stock price instability. Along the same lines, he claimed the strategy was not fully exploited, as it also made predictions about the behavior of equity prices when good things happened. Mason proposed that the paper should be written more as a financial event study, in which shorter time period data are used and indices correspond to firm level data. Selgin disagreed, convinced that the data were sufficient for the type of volatility being studied. Several discussants wanted more intuition concerning the model in the paper. Mokyr began by pointing out that some variables were difficult to measure, let alone aggregate. He observed that he'd been in both demonstrations and riots and couldn't tell the difference. Craft and Bakker also suggested that the metric used could be improved upon, since some political events might occur at the end of a year. Fishback observed that the United States has experienced very large stock price variability, but none of the political events seemed to have ever threatened the system. He remarked that perhaps this meant the US should be left out of the study. Sylla recommended that Voth look at bond market volatility as another means to test his story. Alvaro Pereira (University of British Columbia) wanted to see more about the actual economic fragility that could have contributed to the political instability in the first place. Other participants focused their attention on the econometrics used in the study. Chandra expressed concern over the variables that Voth chose to exclude from the regression. Li felt there were problems with the reduced form, while Drelichman suggested a semiparametric specification. Metin Cosgel (Connecticut) worried about the correlation of political events usually found in panel data. Montant suggested using a separate VAR for each variable.

Yadira González de Lara began the next session with her paper, "Institutions for Contract Enforcement and Risk-Sharing: Form Debt to Equity in Late Medieval Venice." She attempts to show that the switch from sea loan to *commenda* contracts in medieval Venice was due to better sharing of risk under the *commenda*. She further claims that, as a result of the switch, trade increased throughout the area.

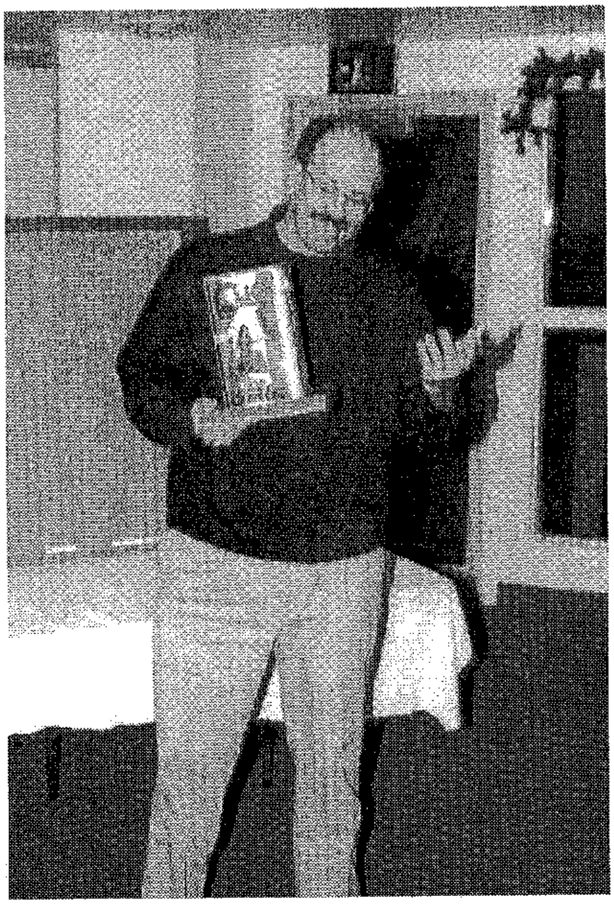
Fishback started the discussion by wondering if the sample she uses really showed that the use of *commenda* contracts led to increases in trade. Similarly, Daudin voiced concern over the timing of the adoption of the different contractual forms. Voth backed this point up by suggesting that perhaps the *commenda* was the norm, and the period in which sea loans were used was actually unusual. Several participants expressed concern over de Lara's story concerning the effectiveness of state monitoring of contracts. Daudin wished to see some direct accounts describing the process, while Pamela Nickless (UNC-Asheville) wondered about the principal agent problem faced by the state's monitors. Other participants wondered about the dynamics of the change from sea loan to *commenda* contracts. Mokyr voiced concern that the paper didn't explain why previous contracting arrangements didn't work very well, and, as a result, it was difficult to explain the causality between institutions and markets. In a complementary vein, Shilts pointed out that even if the state was creating the information that was necessary for the adoption of the *commenda* contracts, there was no compelling reason for merchants to use it. Bakker asked if a change in agent's risk preferences might explain the shift. Willliamson indicated that perhaps the merchants were aspiring to become financiers. Selgin expressed skepticism that the shift from the sea loan to *commenda* contracts actually increased efficiency.

Metin Cosgel (Connecticut) followed with "The Economics of Ottoman Taxation." In his paper, Cosgel describes what were the most important taxes in the Ottoman Empire and why those taxes were used.

Several participants expressed a desire for more background information on Ottoman taxation. Frost wanted to know if reported output rates differed within, as well as across, different villages. Mokyr asked why there weren't any indirect taxes in the sample, while Atack wondered why the government chose such complicated taxes to manage, despite the fact that they were collecting a great deal of useful information in censuses. Mason inquired why we couldn't simply explain the Ottomans' desire to use a mix of input and output taxes as a means to smooth government revenues. Pincus voiced concern over the fact that one of Cosgel's primary findings, that Ottoman tax rates were regressive, wasn't economically significant. Drelichman followed by suggesting that the endogeneity between farm productivity and tax rates had not been controlled for. He went on to suggest that including the proportion of Muslims in a village in the regression might not make sense, since about 98% of Ottomans were Muslim. Others focused on the lack of a political economy story in the paper. Bakker, Daudin, and Cannon conjectured that bribery or local politics might offer a better explanation of tax rates than farm productivity or crop mix. Li wanted to know what was done with the tax receipts. Perhaps if most were spent on local public goods, this could offer a guide as to how politics interacted with tax rate determination.

There were many questions concerning econometrics in the paper. Voth wanted to know how much of the variation in the model came from fixed effects and how potential colinearity was handled. Vencatachellum and Montant expressed surprise that the proportion of grains in total revenue was an endogenous variable, considering the fact that taxes can alter the level or composition of crops. Cannon suggested that, since there were only four tax rates in the model, a probit regression should have been used. Fishback thought that many of the problems found in the paper might not be problems if Cosgel wrote down a theoretical model of taxation a la Stiglitz in order to get predictions concerning tax allocation. Mokyr went even further to say that there were other ways to use the tax data to get at broader questions of property rights and long-term economic development.

Next, **Mark Guglielmo** (Chicago) talked about "Illinois Bank Failures During the



Price Fishback gets canned

Great Depression." He explains how state bank failures during the Great Depression were different than those during the early twenties and finds that contagion played a greater role in the failures during the Depression than in the previous period.

A number of participants expressed skepticism with Guglielmo's contagion explanation. Selgin pointed out that in the introduction to his paper Guglielmo claims it is not about contagion and yet concludes that this was one of the primary causes of bank failures during the Depression. He followed this up by pushing the author for the exact policy prescriptions he was trying to suggest with his research. Mason questioned whether Guglielmo can support a contagion hypothesis, considering the fact that he did not take into account the timing of bank failures. Haupert also noted that, from the evidence, it looked as if the banks that failed were mismanaged and wanted Guglielmo to investigate whether people actually knew at the time which banks were strong and which were weak. As a means to test the contagion hypothesis, Atack talked about using geographic proximity to other failing banks as an explanatory variable. Vencatachellum proposed looking at county-level exogenous shocks. Voth was surprised that the timing of failures wasn't given more attention, since it surely mattered whether a bank failed at the beginning rather than at the end of the Depression.

Saturday's research activities ended with a discussion of "Rural-Urban Migration and Socioeconomic Mobility in Victorian Britain" by **Jason Long** (Northwestern). Although one of the most technically advanced papers presented, the discussion remained on an accessible level. Long addresses the interaction between geographic and social mobility and finds that those who emigrated from rural to urban areas were generally already in the middle of the occupation distribution. Furthermore, the individuals who did emigrate were more successful at moving up the occupation ladder than similar individuals who did not move to urban areas.

A number of discussants were concerned about how to think of the potential for self-selection bias. Daudin began by noting that Long was missing the unsuccessful migrants who moved back to rural areas or who died in the urban areas. "You are only observing those individuals who moved to the city, conditional on remaining there." Bakker added that people might have faced higher death rates in the city. Craft was confused about the interpretation of the result that moving to the city increased your occupational mobility. He speculated that if you conceptually repeated the analysis in reverse by studying persons moving from urban to rural areas (given deaths by some and returns to the city by the unsuccessful) you might get results that show occupational mobility for these men as well. If that is the case, what is the result really telling us? Pereira was curious if Long was studying women and if the poorest emigrants actually immigrated to another country. McInnis felt dismayed that this discussion of improved occupational advancement implied that moving to the city was like "taking the cure." Cities are known to have been unhealthy locations. Voth added that the variance in occupation outcomes of moving to the city should also be considered. Auerbach suggested looking at Irish immigrants to urban England, but Mokyr reminded the group that the relevant census manuscripts were burned in 1921. Selgin wondered if there were relevant changes in poor laws. Jan de Vries (Berkeley) noted that in urban areas social and income mobility came from moving up the occupational ladder, whereas in rural areas it depended on increasing the size of one's farm. He also questioned what was happening to people who did not move. Were there general overall improvements in occupation mobility, thereby diminishing the importance of moving?

After a brief late afternoon respite, participants gathered for the annual banquet to share further thoughts, dine on Cornish game hen, and enjoy the evening's program. Lee Craig was the master of ceremonies, Price Fishback presented various awards, Sumner La Croix summarized the conference's wisest sayings (up to that point), and after each table had been allowed sufficient time to view and lay hands on the Clio Can, Louis Cain (with a poetic and heart-tugging address) passed it on to Price Fishback. Richard Sylla received the award for "traveling the furthest to go the shortest distance." The conference represented a homecoming of sorts for Sylla, whose father, Ben, graduated from La Crosse in 1923. Sylla was presented with a photo album of pictures of his father during his college days. All in attendance agreed that except for the hair the resemblance between father and son is remarkable.

Price Fishback and Richard Sylla relax at the banquet

Sunday morning began with a paper by **Edmund Cannon**, written with **Liam Brunt** (Oxford), "Do Banks Improve Financial Market Integration?" In an especially well-organized introduction and summary, Cannon professes that financial services determine financial integration. He and Brunt measure financial services by the density of country banks. Effective financial integration is observed by the narrowing of interest rate differentials between the country and London. Country interest rates are estimated from data on the appreciation of wheat prices after the harvest is completed.

Craig observed that the paper is about rates of return, although few are noted or discussed, so it was hard for the reader to determine the quantitative impact. Voth suggested repeating Christina Romer's empirical strategy in a well-known paper by repeating the analysis in 1900 to check to see if interest rates implied by the appreciation of grain prices are consistent with the number of country banks. Daudin wondered if different locations selling to different regions or other marketing factors might account for some of the estimated local interest rate developments. Pincus asked if improvements in transportation could have caused these results. He continued by noting that the data could also be used to test for the integration of the grain market. Mokyr added that the quantity of turnpikes increased greatly during this period. Sylla asked if there was some sort of measure of transportation that could be included. La Croix was quite insistent that greater care be taken with the use of a time trend in such a time series regression analysis. He also wanted separate regressions by county to ease time series problems. Mason commented that another factor causing grain prices to rise was the convenience yield of holding grain. Li thought that market structure might be important and that there could be nonlinearity in the effects of adding more banks in the country. McInnis wondered if the corn laws might affect the results in any way. Pincus asked if there was any usable information about people storing grain from one year to the next.

In the penultimate session, **Mauricio Drelichman** presented his paper, "The Curse of Moctezuma: American Silver and the Dutch Disease, 1501-1650." Drelichman had just returned from Spain with more data for the construction of consumption baskets in Spain during the period under study. Using the Dutch disease model, Drelichman seeks to identify the role of Spain's New World silver in making that country's domestic tradable goods internationally less competitive, thereby leading to future development problems. He intends to use the maximum likelihood method in future versions of this research, will modify his tests for identifying structural breaks, and will also add another country with which to compare Spain in order to emphasize the specific Spanish historical experience.

Lee began the discussion by asking if Spain's experience might have been totally different had it used its mineral wealth more successfully. For example, if some famous battles had had different outcomes, could Spain's developmental path have been different? Daudin questioned the supposed reference to Mexico in the title by asking whether or not most silver during the 16th and 17th centuries came from Peru rather than Mexico. He contended that the silver flow to Spain increased again after the period under study in the paper, when silver imports had decreased significantly. He later wondered if Dutch disease really occurred if Spain was spending its money in other parts of Europe in wars and other empire activities. Voth asked if Dutch disease could be quantitatively important during a period in which imports and exports are small portions of an economy's GDP. Bakker expressed his interest in the inclusion of prices of services to get the changes in the price of traded and non-traded goods. Pinkus argued that Drelichman should not develop price indices but stick with the direct relative price comparisons of traded and non-traded goods. Why lose information through aggregation?

Make each relative price and observatio... and put them on a scatter diagram. Sylla wanted to know what other factors might account for the exchange rate appreciation under study. Williamson was concerned about the effect of the large drop in human and animal populations, while De Vries questioned the analogy with Dutch disease, wondering if it applied only if Spain could recover the silver at little or no cost.

In the last session of the conference, **Jan de Vries** presented his paper on "The Price of Bread and the Standard of Living in the Dutch Republic." His original purpose was to improve the existing cost of living indices for which he needed bread prices. In the process, however, he has come across a relatively complex system by which the state regulated bread production and prices. The evolution of this system and the effect it had on 17th- and 18th- century taxation and migration is the focus of his paper.

Several participants had questions concerning the transformation from the old regulatory system into the new. Frost wanted institutional detail. Cain was curious to hear a political economy story to explain the transformation. Daudin suggested that administrative power was the cause of the switch. Fishback wondered if the introduction of a new bread tax was responsible for the introduction of the new system to protect guild members. Johnson expressed skepticism concerning the paper's treatment of migrants' consumption behavior as identical to nonmigrants. Mokyr questioned de Vries' story about the use of differential taxes on white and rye bread as a means to subsidize the poor. Why not just lower the tax on lower quality bread? Other participants focused on the methodology used in the paper. Bakker wondered if de Vries might compare optimal tax rates to actual tax rates. Chandra voiced concern that

...tory Seminar

...nies. Landes is ...xample, a ...oes u... entr... comm... noting, oven."

Special thank... arrangements st... ...ly Tiedt, Dean Willia... ...rovost Rada of UW-La Cr... ... our own Michael Haupert, for ... this group of economic historians we... ...ne and ensuring their good care throughout the weekend. On Sunday afternoon, the community of scholars scattered to the winds until future meetings of the Economic History Association, the Allied Social Sciences Association, and next year's Cliometrics conference at North Carolina State.

Sam Williamson and Joel Mokyr prepare to set sail for a three hour tour aboard the La Crosse Queen.

Observations on the 41st Cliometrics Conference

By The Great Cheddarhead

The Great Cheddarhead was in attendance at the La Crosse Cliometrics Meetings and is pleased to observe that Cliometricians continued their long-established practice of making remarks with unintended consequences, obscure meanings, and rhetorical oomph. Spontaneity reigned at these Meetings on the Mississippi, with Clioms making surprisingly few desperate attempts to be noted by the prize committee. Fear not, gentle reader, as a surplus of rhetorical lapses in La Crosse forced the Great Cheddarhead and his loyal assistants to order additional spirits during our meeting to assist in our selections. As always, the prize committee searched for that utterance that would resolve all controversies, illustrate eternal truths, and, by the force of its brevity and wisdom, part the Mississippi River at La Crosse and allow Cliometricians to reach the promised Clio Land, where all estimated coefficients are statistically significant, counterfactual universes actually exist, and, as the esteemed Can Winner from the University by the Lake remarked, "even successful people die."

With cows way outnumbering people in the La Crosse area, it's only appropriate to begin with remarks that used dairy products to maximum effect – such ventures were disappointingly few. One participant noted, "outside of Wisconsin, in the US, all cheese comes from Kraft." Of course, with the passage of the 2002 Farm Bill, all cheese WILL soon come from Wisconsin. And perhaps the representative from the other university on the Charles River was thinking of fondue when he said, "Switzerland is as boring as can be." No, the phrase stands on its own as eternally true to all who have visited – yet too obvious to contend. And finally, our Wisconsin host could not help but pronounce, "processed food is just edible bank notes." Yes, making bank notes out of cheese—an original clio contribution! Perhaps they could all be stamped "eat in case of hyperinflation." But if you decide to sample your cheese currency, be glad that it's mostly fat, because as one Cliom ominously warned us "glucose is the silent killer." Who knew?

Moving from the silly to the sublime, the Cliom from the City of Brotherly Love felt moved to self-criticize his own monetary crowd (gasp!), telling us that "saying there are long and variable lags just means we don't know anything." Visions of introductory macroeconomics swam in our heads – but that nightmarish vision won't win anyone a prize (despite the phrase's obvious wisdom)! Visions of money clearly motivated another Cliom to propound that "if you don't see the runs, you don't see contagion." Perhaps, as our eventual winner so elegantly put it, that would be an example of "an argument based on negative reasoning."

And finally, our contenders. A young Cliom from that other university just down the Mississippi blurted out "there's a book – I can't remember by whom or its name – but it makes points similar to yours." Here's an observation that we can all identify with – repeating with subtle twists the ancient observation that there's nothing new under the sun. Of course, if we can't remember what we've read or seen under the sun, how will we know whether it's new or not??

A young attendee from the University by the Lake raised the ante by forthrightly admitting that "I'm working on women with strange first names, but they're a lot more difficult." Combining brevity, wisdom, and census data, this utterance charmed the prize committee but did not part the Mississippi to let the women with the strange first names escape to Minnesota, and so, with some reluctance, was passed on by the august committee.

Finally, this year's rhetorical champion put forth a flash of brevity and brilliance in the spirit of last year's pithy and wise winner, "If you want more oomph, you want to get rid of the mushiness." Following in the grand tradition of Cliometrics – aim both to shock and to please – the ambassador from Banca d'Italia told us that "Rather than show you what you don't like, I'm going to persuade you that it makes sense." Yes, and please do so with oomph!!

Report on the All-Ohio Economic History Seminar

By David Wishart, Wittenberg College

(Columbus) The All-Ohio Economic History Seminar was held in Columbus, OH on April 19 and featured a presentation by **David Landes** entitled "Winners and Losers – East and West." In his paper, Landes describes Europe a millennium ago, which was distinctly poorer than its contemporary Eurasian civilizations of Islam, India, and China. Landes argues that Europe caught up over the next 500 years, particularly in navigation and in waging and winning wars. Then, over the following three centuries, Europeans excelled in preparing for industrialization by learning and experimenting with techniques in the wider world, a process fostered by a Reformation that legitimized acquisitive behavior. Landes stresses culture as a determinant of wealth and poverty in nations. A cultural formula for success must be sufficient to spur the "movers and doers" in poor countries. Clearly defined and enforced property rights are a component of this cultural formula. Vested interests are another function of culture. In a traditional society they can block development, because those in positions of power find it easier "to take than to make," and taking is related to political power.

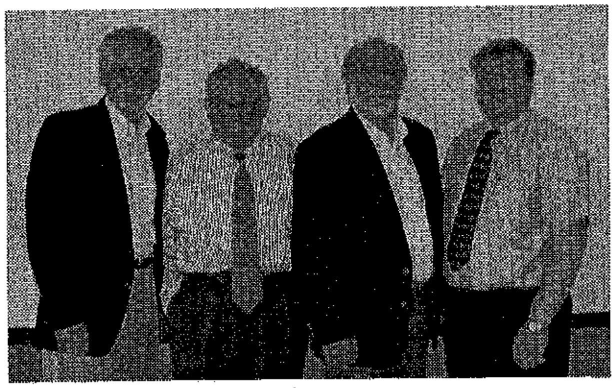
A common theme in the questions posed to Landes was the relationship between the West and the Islamic world. For example, would Turkey be considered a "winner" in different time periods? Landes says that Turkey was a success story in the early years of Ottoman rule, that it took the pursuit of war seriously, and that in the post-World War I era it became more like the West, which was contrary to the country's culture.

Participants in the discussion explored the roles played by historical accidents in the success and failure of economies. Landes is skeptical of such arguments. For example, a case could be made that with the right types of accidents Chinese westward exploration might have led to their circumnavigating the southern tip of Africa prior to the Portuguese. Landes maintains that the accidents argument is too easy, and the reasons for Europeans pushing exploration and colonization eastward rather than the Chinese pushing westward are rooted in culture and institutions, which are amenable to change. While it may be the case that the Ottomans were pushed back from Vienna in the 1680s because they were fighting simultaneously against the Persians on an eastern front, it is not clear this is the reason for Europe's economic success and the Ottoman Empire's economic failure.

Landes was asked to comment on Kenneth Pomeranz's argument that European colonization and trade with the Americas gave Europe an economic advantage over China that contributed significantly to Europe's early industrialization. Landes replied that Pomeranz's thesis blurs a long period of time. Europe's colonization of the Americas took centuries. Also, the trade relationship between the Americas and Europe was not always positive for Europe. For example, Spain was probably hurt in the long run by its silver and gold discoveries.

A series of questions toward the end of the discussion focused on more contemporary issues. Landes was asked about the move toward a European "supergovernment," as manifested in the adoption of a common currency and other supranational institutions. Landes maintained that we should not underestimate the Europeans' potential to disagree along nationalistic lines; an economic union in Europe would not have worked before now.

The discussion ended on a hopeful note, with Landes arguing that economic improvement is a "monotonic process" and that the West has been different from the rest of the world in its economic success. Western economies, as winners, have a responsibility to help the rest of the world, if only because poverty and anger are dangerous when so many people are involved. Landes admitted that the western emphasis on materialism involves an implicit value judgment, but most people prefer wealth and health to poverty and disease. Landes isn't waiting for the apocalypse.



(l. to r.) Sam Williamson, David Landes, Ben Baack, and Rick Stekel

Canadian Network in Economic History Conference Report

By Byron Lew, Trent University, and Stuart Wilson, University of Regina

(Montreal) The Canadian Network in Economic History Conference was held April 5-7, 2002, at the Universite de Montreal. The theme was "Economic and Social Inequality." Michael Huberman (Universite de Montreal) and Frank Lewis (Queen's University) arranged the program, with credit for coffee breaks (which included two Montreal staples – bagels and croissants) belonging to Huberman and the generous sponsorship of the Centre de Recherche et Developpement en Economique. The CRDE also provided a wine and cheese reception on Friday evening. As the snow had just recently melted, conference goers were not yet distracted from their work by the chirping of birds and sprouting of buds. There were a total of nine sessions, two devoted specifically to guest speakers: Ken Sokoloff (UCLA) delivered a paper he wrote with Stanley Engerman (Rochester), and Pierre Fortin (Universite du Quebec a Montreal) presented his paper on Quebec's standard of living. Canadian economic historians were particularly pleased to see a distinguished, mainstream (well, a bit off the main stream in terms of his views) Canadian economist, Fortin, show an interest in economic history and long-run growth trends.

In the opening session, "Migration," **Richard Sicotte** (University of Calgary) presented "Passenger Shipping Cartels and their Effect on Transatlantic Migration," written with **George Deltas** (Illinois) and **Peter Tomczak** (Michigan). The authors state that transatlantic shipping cartels in the early 20th century reduced migration to North America by 20% and increased flow variability. The subsequent discussion focused on the availability of price data and the stability of cartels. Jim Irwin (Central Michigan) asked if there was any evidence of broken pacts during off seasons.

In "Sorting Themselves Out? Canadian-Born Workers in the US and Western Canada, 1890-1910," **Alan Green** (Queen's University), **Mary MacKinnon**, and **Chris Minns** (both McGill University) examine the characteristics of Canadian migrants according to their destination. Discussion centered on Canada which has both high emigration and immigration. Herb Emery (University of Calgary) pointed out that Canadian employees had the opportunity to work out west as part of their climb up the corporate ladder.

The next session, "Agriculture and Industry," was chaired by Angela Redish (University of British Columbia). **Marilyn Gerriets** (St. Francis Xavier University) began with "Reaping the Harvests of the Sea and Field: The Distribution of Income from Fishing and Farming in Nova Scotia and New Brunswick in 1870." She uses census returns disaggregated to the subcounty level to estimate income from two principle rural industries. Her thesis is that some fishing families were able to supplement their incomes with agriculture so that characterizing an entire region's output as either solely agricultural or fishing may be misleading. She also points out that there was substantial geographic variation in income size and composition.

Kris Inwood (Guelph University) and **Ian Keay** (Queen's University) continued with "Productivity Comparisons: Manufacturing in Canada and the United States along the International Border, 1870/71." They examine the effect of the Canadian/US border on manufacturing productivity, arguing that firms were mostly able to adapt their implementation of technology to factor price and output market scale differences. The focus of the discussion was on their isolating the sample of US firms to those near the border. Both Sokoloff and Knick Harley (University of Western Ontario) wondered if their sample missed the winning firms in larger US markets, while Green questioned why Canadian manufacturers petitioned for tariff increases if they were apparently competitive.

Invited speaker **Pierre Fortin** (Universite du Quebec a Montreal), in his own session chaired by Ruth Dupre (Ecoles des Hautes Etudes Commerciales), revisits the relative performance of Quebec since WWII in "Has Quebec's Standard of Living Been Catching Up?" Quebec's relative per capita income rose after WWII, but plateaued at 85% of Ontario's during the eighties. Michael Bordo (Rutgers) pointed out that there has been convergence amongst US states, but that equilibrium differences may remain in effect, limiting complete convergence.

The following session, "Labour, Wealth Inequality, and Convergence," began with a paper by **Livio Di Matteo** (Lakehead University). In "Wealth, Inequality and Economic Change," Di Matteo investigates the determinants of wealth and inequality in the Niagara region of Canada from 1892 to 1902. Inwood commented on the possible effects of the real estate collapse over the period of study and the portfolio shift into financial assets on wealth and inequality over districts.

Miriam Wright (Acadia University) presented "Native Peoples in the Commercial Salmon Fishery of Alert Bay, British Columbia, 1945-1968," where she documents the strong presence of natives in the fishery of this region. Keay asked if there were risk-sharing agreements with native and commercial fisheries and pointed out that there are talks these days of turning fishing decisions over to natives in certain regions.

Pat Coe (University of Calgary) and **Herb Emery** discuss wage convergence amongst Canadian cities in the 20th century in "The Extent of the Canadian Labor Market: Then and Now." The authors conclude that the Canadian labor market was less integrated at the end of the 20th century, due perhaps to unemployment insurance programs and the increasing number of dual income households. Dupre noted that there are significant interprovincial barriers to labor movements in Canada.

The conference continued with "Inequality, Institutions and Differential Paths of Growth Among New World Economies," by invited speaker **Ken Sokoloff**, written with **Stanley**

Engerman. They indicate that institutions and factor endowments are important factors in explaining relative growth patterns. Green mentioned that a key factor in defining differences between South America and North America might be openness to migration and immigration policy. Bordo talked about the export of successful British institutions to North America, while less successful institutions were imported to South America from Iberia.

The session "New and Old Economic History" was kicked off by **Alvaro Pereira** (University of British Columbia) with "Endogenous Structural Breaks and the Two Views of the Industrial Revolution." He jumps into the debate over the identification of the beginning of the Industrial Revolution by looking for structural breaks in the individual industry output time series. He concludes that breaks were evident in the early 19$^{\text{th}}$ century among virtually all industries and offers a synthesis of theories reconciling this finding with slow aggregate growth. Redish asked what was being imposed by looking for only one break and if dividing his sample at 1800 made a difference. Harley was concerned about the impact of protoindustrialization, while Sokoloff wondered if the Napoleonic era didn't influence the timing of structural breaks.

In "Twentieth Century Monetary Regimes in Canadian Perspective," **Knick Harley** looks at the Canadian experience as a small open economy in order to understand transition of monetary regimes in the 20$^{\text{th}}$ century: gold standard to Bretton Woods to post Bretton-Woods floating rates. Each regime was relatively stable as long as public expectations matched government policy, but when the match collapsed, the regime changed, and stability took time as the government and the public learned to match expectations. Bordo offered the view that the post-Bretton Woods period was not one regime but initially a lengthy transition from a regime of an external nominal anchor to one of an internal nominal anchor. He suggested that the 1970s in particular might involve more active and ultimately erroneous choices by policy makers as they and the public learned together. Redish focused on the earlier transition and asked if there were any particular aspects of Canadian development, like the Wheat Boom, which may have been important and unique.

In the final paper of the session, "Orphans in Montreal: Were They Disadvantaged in the Apprentice Market?" **Gillian Hamilton** (University of Toronto) examines the apprenticeship contracts of orphans in Montreal from 1791-1842 to see how they might have been penalized. She finds that orphans obtained contracts very similar to children who weren't orphans, though they tended to receive more domestic care from their masters. Orphans immigrating from Britain and sponsored by the British Children's Friendly Society obtained much less favorable contracts, but that may have been because all contracts appear to have been negotiated as a block. Di Matteo was curious whether the CFS received a fee. Dupre wanted to know why there were no French orphans in the sample, while Sokoloff asked if there were data on the number of orphans in the population in order to determine how inclusive the sample was. MacKinnon suspected that disadvantaged orphans might not have been able to enter into apprenticeship contracts.

"Business Cycles and Money," began with **Allen Head** (Queen's University) and **Stuart Wilson** (University of Regina) presenting "Business Cycles, Employment Uncertainty, and Capital Accumulation in Canada, 1870-1913." Seeking to explain the rise in savings in Canada at the beginning of the 20$^{\text{th}}$ century, they use a dynamic general equilibrium model to examine the impact of labor market shocks and changes in employment uncertainty on savings patterns. Both Redish and Marvin McInnis (Queen's University) wondered about the importance of this particular link and wanted some information on individual household savings, believing they were too small to add up. Coe thought that the restriction excluding negative savings precluded the use of children as savings. Lewis was concerned that because savings growth was coincident with the Wheat Boom and the large capital inflows it entailed, the model was forcing too much onto the supply side of savings rather than on the demand side.

Michael Bordo and **Angela Redish** followed with "Is Deflation Depressing? Evidence from the Classical Gold Standard." They compare Canada and the US in the late 19^{th}- early 20^{th} century as two small open economies with exogenously determined money supplies (gold standard) for evidence on the link between monetary shocks and changes in aggregate output. They use a Blanchard-Quah decomposition to separate the effects of output supply, money supply, and money demand shocks, showing that, for the US, variability in output was determined by aggregate supply and that money had no long-run effects. In contrast, for Canada, changes in money supply did influence output. They speculate that these differences may reflect differences in the banking systems. Sokoloff commented that a country with more traded commodities would be more vulnerable to deflation. Harley was concerned about the general comparability of prices between the two countries. John Brown (Clark) pointed out that Germany experienced such shocks through this period and did not experience any unemployment.

The first session of Sunday morning, "Health and Insurance," opened with "Voluntary Self-Help, Self-Reliance, and the Divergent Paths of Compulsory State Health Insurance in England and the United States" by **Herb Emery** and **George Emery** (University of Western Ontario). They argue that the rise in state-provided health care is influenced by the ability of the labor force to generate savings through employment income in order to self-insure. Only workers in the US were able to earn sufficiently high wages to negate the need for state health care provision until the 1930s. They look at the rise and demise of voluntary self-help Friendly Societies in both countries to support their thesis. McInnis asked whether greater labor mobility of workers in the US influenced the provision of insurance at the state level. Lewis suggested that causality is unclear, as the provision of state insurance would lead to a decline in precautionary savings. Huberman wondered if differences in risk between the two countries might be important and recommended looking at compensating differentials in wage premiums for evidence.

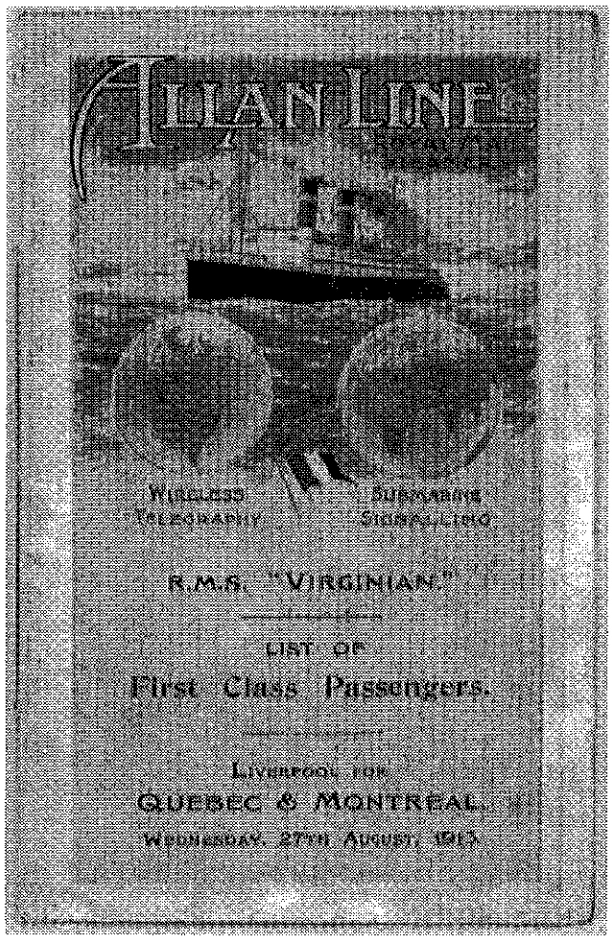
In "The Fertility Transition in Munich: First Results," **John Brown** (Clark University) and **Timothy Guinnane** (Yale) employ new microdata to test the accepted view that the rapid decline in fertility in late 19^{th} century Europe cannot be matched by any sudden economic changes, but rather is due to changes in attitude, mostly among Protestants. Rapid urbanization created a marked distinction between urban and rural, which is not visible in macro-level data. They find that, for the urban population, income levels have a strong negative correlation to fertility, while religion does not. Redish inquired if the authors looking only at a stopping strategy missed the possibility of a delayed starting strategy as well. Lewis wanted them to look at fertility changes at both tails of the age distribution. MacKinnon, observing the high rate of illegitimate births, asked if the institutional constraint of the need for state approval to marry was important. McInnis reasoned that the contribution of working children to family income may also have influenced fertility.

Andre Poulin (Universite de Sherbrooke) followed with "Contribution feminine a l'economie familiale: le cas d'une communaute miniere du sud du pays de Galles, Treherbert, 1861-1891." He shows that for miners in Treherbert, children were used as insurance against declines in miner's productivity. Miners were paid piece-rate rates, and wage earnings tended to decline as they aged. Mining households supplemented wage income by taking in lodgers, but only among families with small children or after the children had grown up. This leads him to conclude that mining households relied upon older children to supplement income. Wright asked if women contributed in addition to taking in lodgers, while Redish thought that quantitative evidence on the importance of income from lodgers was needed. Brown suggested that high fertility in mining communities could be related to higher mortality, while Lewis noted that as opportunities for children's employment expanded outside of the home (and therefore the probability they would return the investment in their rearing declined) fertility would also decline. Emery asked if there is evidence of remittances from nonresident children, and McInnis added that postal bank records could be of use.

The final session, "Gender Inequality," began with **Byron Lew** (Trent University) and **Marvin McInnis,** who show evidence that gender differentials improved little in the first half of the 20th century. Women did make gains in relative earnings in the public sector. Lou Cain (Loyola) commented that changes in employment of females in Canada were similar to that in the US. However, the changes were of relatively smaller proportions. He suggested comparison with the US be made.

The final paper of the conference was "Gender Differences in Pay and Productivity: Canadian Clothing Manufacturing in 1870" by **Kris Inwood, Jim Irwin,** and **Catherine McDevitt** (Central Michigan). The authors present a novel way of testing the productivity gap hypothesis against the discriminatory wage gap hypothesis. They conclude that women should have been paid 25% more based on their relative productivity. Minns and Gerriets both questioned the possibility of monopsony power of employers hiring female workers, especially in urban areas, as a contribution to the gender gap.

The banquet was held in the historic Sunlife Building in downtown Montreal, where conference goers were able to savor fine Quebec-style French food. It was agreed that the 2003 meeting of the CNEH would take place in the fall at Guelph University. Doug McCalla (Guelph) has offered to chair the organizing committee.



Personal Reflections

The Joy of Economic History

By Stanley Engerman

Reprinted from *Living Economic and Social History*, Pat Hudson (ed.)
Glasgow: Economic History Society, 2001.

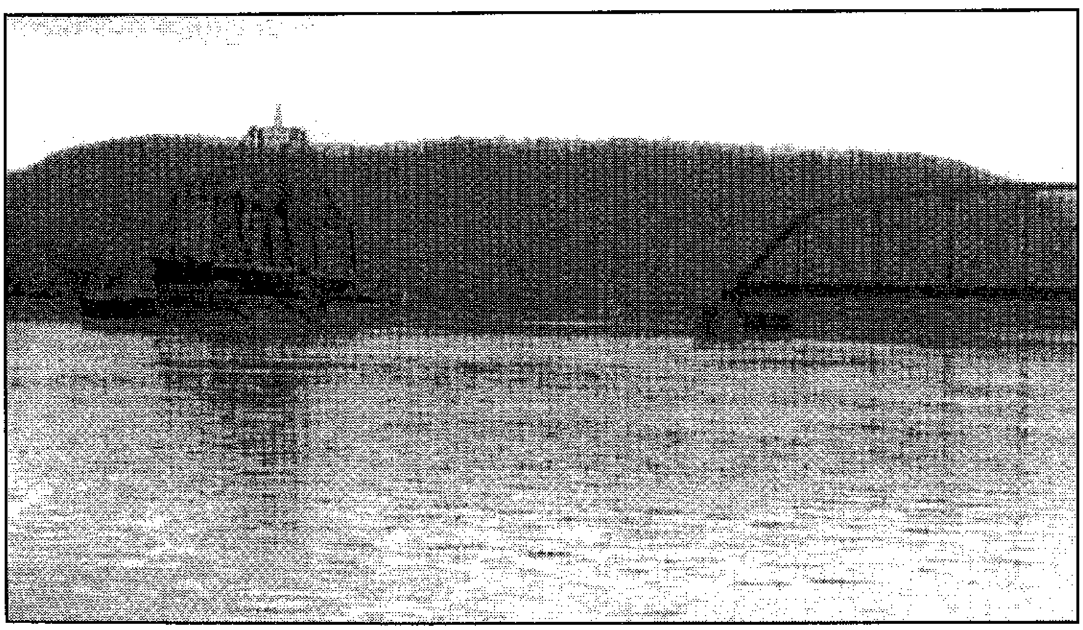
Since I have spent my past 40 years as a self-described economic historian, clearly I have found this discipline to be rewarding, personally if not (based on anticipated opportunity costs) financially. I have written several articles dealing with the nature of economic history, cliometrics, quantitative history, and related concepts, so there is no need to repeat those general points about my perceptions of the nature of the discipline. Rather, I want to speculate on certain aspects of career choice, of approaches to historical questions, and of preferred means of analysis. Most academics, obviously including economists and economic historians, seem to be in violation of what many other people consider to be the fundamental premise of economic behaviour: financial profit-maximisation. Few among us actually maximise our financial profits, since that might entail what we regard as some unfavourable or less than preferred working conditions. Rather, while we may profit-maximise in certain activities, career choices generally reflect utility maximisation in desiring an overall package of 'goods and bads.' In some regards, the academic resembles the familiar image of the pre-modem artisan in terms of adjusting the actual hours of work, the nature of the work, the intensity of the work, and the quality and quantity of output from work, all based on individual preferences. This is true, although as in the case of artisans, incomes may sometimes be low and jobs lost.

Clearly not all individuals have the same utility functions as do academics – most people pursue other occupations. And, of course, sometimes people make similar choices for rather different motives and concerns. Moreover, within academics, the choice among a broad range of possible disciplines still leaves ample room for differing decisions in finding the individual's desired mixture of subject matter and methods of analysis. Not all economic historians come with the same set of underlying concerns, and I can only describe features in my career choice. Some disciplines and questions were too complex and difficult, a few were not challenging enough, but that still leaves a diverse set of approaches and disciplines from which to choose.

As with most of my peer group in economic history in the United States, my graduate training was in economics. The basic definitions of the contents of economics, as also was the case for economic history, included two related but separable issues. One was the study of the economy and the economic parts of life; the other was the use of the economist's tool-kit to study society, and to see how people behaved in situations where choices were made and constraints were dealt with. The importance of rational decision making from available alternatives and the analysis of the implications of choices can be applied to a wide range of issues, from the rather narrow economic to the broadest of political, cultural, and racial issues, and training in basic economics provided a very useful way to try to understand individual and group behaviour.

This economist's approach, of course, need not lead to a simple answer to all questions that scholars might study. The complexity of people's psyches and also of events would seem to limit that possible achievement by one single approach, but that need not be a source of disappointment. Some scholars do believe that there can be one single answer to major questions and often advocate the usefulness of specific types of approaches to reach that answer. Others, however, regard scholarship as more of a collective enterprise, with knowledge accumulating, and find the words of Adam Smith on the division of labour, applied to this different set of problems, quite sensible. Frankly, I find the Smithian view the more reasonable one, since it provides a more realistic approach to problems of data and interpretation. My feeling is that the actual day-to-day work of economic historians is to handle rather narrow, specific questions in working towards the broader view by defining the precise nature of the question and pointing to the answers desired to help to determine what methods of data gathering and analysis are most necessary in each case. In short, much of what appears as debates on methodology, are less about methods than about what questions the particular scholar regards as interesting or important. It is the opportunity to ask and to answer a broad range of questions that has always made economic history seem such an interesting and enjoyable discipline to pursue.

Stanley Engerman (b. 14.3. 1936) took his B. S. and M.B.A. from New York University. His Ph.D. is in economics from The Johns Hopkins University, 1962. He is currently Professor at Rochester and has published widely on US economic history, trade and slavery. He has been a pioneer in the use of both cliometrics and anthropometric history.



Located in La Crosse, WI, this is one of the few remaining turntable bridges on the Mississippi.

Great Britain and its Rivals: The Struggle for Hegemony, 1688-1815: Symposium in Honor of Patrick K. O'Brien

By Regina Grafe, LSE, and Stefan Houpt, Universidad Carlos III Madrid

(Madrid) The symposium in honor of Patrick O'Brien, held March 26-27, 2002, was organized by Leandro Prados de la Escosura and sponsored by the Fundacion BBVA in cooperation with the Universidad Carlos III Madrid. The Fundacion was represented by Jose Angel Moreno Izquierdo (Director General Adjunto). After a brief welcome, Francois Crouzet (Universite Paris IV-Sorbonne) opened the symposium with its first session on growth and structural change. Three papers focused on the effects and diffusion of Britain's agricultural revolution.

Robert Allen (Nuffield College, Oxford) began by examining the pan-European view and the role of agrarian change in economic development and by looking at England's economic ascendancy between 1500 and 1800. Allen contrasts the role of factors commonly proposed to account for England's success in a simulation model of the early modern economy using data for nine countries. His results suggest that the enclosure movement made little contribution to England's success. Contrary to what traditional historiography may tell us, England's successful agriculture was a response to, and not the cause of, growth of the urban and proto-industrial sectors and the maintenance of a high wage economy. For example, the success of new draperies was key in promoting urbanization and rural industry, with a subsequent push on agriculture productivity. The impact of the Empire was mostly on city size but to a lesser extent than commercial success. The English effect, defined as "the otherwise unaccounted for rise in urbanization," explains a good deal about the wage stability and agricultural productivity.

Honoring two of O'Brien's development concerns (the role of agriculture in inducing structural change and the comparative performance of European agriculture), **James Simpson** (Universidad Carlos III, Madrid) presented an analysis that reexamines European agricultural development during and after the British agricultural revolution. In the context of present-day revisions of agricultural change in Britain and the idea of stagnant or dormant continental agriculture, Simpson examines the significant productivity gap between the two. He considers the stimulus caused by demographic growth and urbanization and examines the technological, organizational, and institutional responses to the demand stimulus. Transaction costs associated with institutional change were likely responsible for some of the productivity differences. Simpson also looks at the effect of British urban markets on continental agricultural specialization. He finds that higher wheat prices, larger markets, and high-income consumers in the largest cities gave British farmers greater freedom to try alternate approaches in order to overcome the technical or institutional barriers to change. In parts of Europe, the lack of concentration in land ownership contributed to sub-optimality and underemployment of factors, in stark contrast to land property allocation in Britain. Furthermore, Simpson argues that two other institutional factors made a difference. First, the high monitoring costs of large English farms were offset with annual labor contracts, so hired hands were used for creating capital assets in off-peak seasons. The higher incidence of seasonal unemployment in southern Europe rested on the inability to adopt labor intensive agriculture. Second, enclosure and the organization of grain markets had important impacts on income distribution, efficiency, and the different responses to changes in factor and commodity prices in England and on the Continent.

The comments that followed addressed aspects related to the mechanisms of capital investment, the use of sharecropping, the suitability of technological change, and missing comparisons with Ireland, Scotland, the Low Countries, Belgium, and Germany.

In their paper, **Nicholas Crafts** (LSE) and **Knick Harley** (University of Western Ontario) perform a counterfactual analysis of the implications for British development of retaining a system of landholding similar to that of the French. The authors qualitatively test O'Brien's rejection of the once conventional wisdom that an earlier commitment to industrialization and urbanization would have led to higher living standards for French citizens. Crafts and Harley employ a modified version of the computable general equilibrium model of the British economy and attempt to measure the impact of changes in property rights on capital accumulation, innovation, and demographic change. Their reasoning rests on the CGE counterfactual: had the 18th-century landlords revolution not occurred, the early 19th-century economy would have had a substantially larger agricultural labor force, a more reduced capital stock, and an appreciable lower level of GNP. Their findings show that peasant agriculture in Britain would have held back industrialization and reduced national income, although it may not have been all that pernicious for peasantry compared to the capitalist agriculture alternative. Evidence from the model also indicates that the main losers in the retarded industrialization in France seemed to have been capitalists.

Comments included concerns about the omission of Irish migration, the relative weight of the service sector, and the bias introduced by the assumption that peasant farmers do not save or innovate in the same proportion as capitalist farmers. Extensions of the British case to other economies are subject to other limitations. Inheritance systems differed widely across Europe, as did the relative scarcity of land and the openness of the economy.

The afternoon session, moderated by Alan Milward (European University Institute), focused on technological change. **James Thomson** (University of Sussex) reexamines some of O'Brien's contributions on technological change in the cotton textile industry before and after the Industrial Revolution. He argues that preceding economic policies allowed calico demand to increase, imposed restrictions on Indian ware, and implemented an environment of permissive emulation. Familiarity provided a widespread preprofessional interest in techniques and gadgets, which channeled into inventive activity when changes in relative prices marked the framework for pecuniary incentives. During the discussion that followed, participants stressed the importance of cultural improvement and the pursuit of the unachievable as determining factors. They also considered foreign product innovations that forced emulation and wage substitution, as well as the institutional framework that rewarded inventions differently than in the rest of Europe.

In his paper, **Rainer Fremdling** (Rijksuniversiteit Groningen) complemented the discussion of technological change by comparing the innovation path of the British iron industry to other continental iron centers. He argues that different patterns of innovation in the primary and secondary transformation of iron were related to the existing demand for cast iron, the relative prices of inputs, and the scales of production. In other European regions, these mixtures led to different combinations of new and old technology. Some discussion was dedicated to the existence of macro inventions and the coincidence of coal and iron ore as a determinant for Britain's particular technology path.

On the following day, the participants examined the role of institutions and military power in Britain's rise to economic and world power. **Stanley Engerman** (University of Rochester) offers a broad assessment of institutional change and its role in British supremacy by focusing on three main questions regarding comparative growth performance in the long run. First, Engerman asks when and to what extent does scarcity spurn innovation, and when does scarcity become an absolute obstacle to economic development. In discussing the relationship between climate and growth, Engerman stresses the interesting shift of growth centers from tropical areas to the temperate climates of the Netherlands and Great Britain. Second, Engerman questions whether it pays to be first or a follower. For example, how did Britain, a country that had started its colonial expansion a century after Spain (and even after France and the Netherlands), become the most important colonial power? Did Britain make up for starting late by waging war more efficiently? Third, he wants to know what the relative importance of cultural background is of Europeans and environmental factors in the New World in determining successful institutions. It seems that what mattered was not so much whether British institutions were better from the start but rather their adaptability to the varying environment of different colonies, for example those in the Caribbean and North America. Engerman argues that less then perfect property rights apparently did not hinder British economic success, because the emerging economic institutions were designed to benefit a larger share of the population.

The debate that followed began with a question concerning the extent to which institutions are exogenously, i.e. environmentally, determined and the extent to which they are endogenous or cultural. O'Brien suggested that Britain's real institutional strength was its use of violence against anyone who attacked property. Engerman rejected a proposal to judge the success of institutions depending on how likely they were to encourage rent seeking. Instead he stated that in successful countries rent seeking likely was deliberate and beneficial for growth.

Next, **Forrest Capie** (City University Business School) presented a study of the impact of stable monetary institutions on British economic growth. He contends that stable currency helped the creation of efficient financial intermediation and tax collection. The stability of the monetary arrangements, in turn, reflected the public's trust in the government and Parliament and their ability to guarantee legal institutions. Capie stresses that monetary regimes needed to evolve and adapt over time to earn the confidence of the public. Such trust was important at a time when commodity money was increasingly replaced by supplementary paper money. Did the rule of law inspire that trust, or was it more deeply founded in cultural values? He also discusses the development of various types of money (banknotes, coin, bank deposits) and their importance in 18th-century Britain and points out the increasing legal regulation and market sophistication in London banking. Capie finds, however, that although the financial markets arguably had become more stable and sophisticated over the 18th century, neither the money multiplier nor contract intensive money values changed substantially. His results suggest that the banking and monetary system was stable but still far from becoming a real source of economic growth in England.

The discussion focused on two main issues: How did this relatively stable and sophisticated but still developing system compare with other countries, and was there some continuous improvement in the system? While there is little comparative data, it was noted that England at least avoided the more destructive emissions of bonds like the *vales reales* of the Banco de San Carlos. Nevertheless, Capie thinks that the data do not support the idea of a more or less regular process of improvement, but rather it seemed to be part of a very uneven development of institutional adaptation.

Larry Neal (Illinois) continued with an examination of the political, monetary, and financial structure of Europe in the century and a half before 1815. He uses a comparative perspective, taking as a point of departure Patrick O'Brien's work on taxation and its impact on economic growth. Neal shows that the Dutch system provided efficient commercial institutions, such as the Wisselbank, but due to political barriers failed to create a functioning secondary market in government debt. In contrast, in England the shares of the trading companies, the Bank of England, and funded government debt were traded in a secondary market. However, this debt did not crowd out private investment. Instead, it served as insurance against the volatility of private investment, helping to create more diversified capital markets. Finally, the French system experimented with a similar design, but John Law's plan differed in crucial details and ended in default. In the aftermath, notaries who acted as brokers mainly supplied private credit. Under normal circumstances, all three systems – Dutch merchant banks, English capital markets, and French information systems – were capable of providing the capital for private investment and public credit by relying on different monetary arrangements. However, when faced with shocks created by war or financial bubbles, each system reacted differently. The English arrangement, which combined more diversified capital markets with free access to and exit from those markets, was able to withstand the shocks. At the same time, French and Dutch financial institutions were less capable of weathering external shocks to the system and took a long time to recover, restricting the economy's access to credit for longer periods.

The debate began with a discussion of the contemporary perception of high taxes in France and low taxes in England, which is not accurate. Since taxes were as high or higher in England, participants wondered how the necessary liquidity was channeled into the French economy. It was suggested that bills of exchange were used as an alternative instrument in France. O'Brien considered a way to understand this seeming contradiction. According to him, the main problem was not the size of funded debt but the existence of short-term debt. This accounted for 60-70% of public debt in countries like Spain and France, unlike England where public debt was negligible. The reason for the difference was that England, as a latecomer on the European scene, started issuing debt late and had no history of massive debt repudiations like other countries.

The final session of the conference, "War and Hegemony," was chaired by Juan Pablo Fusi (Complutense). In his paper, **Dan Baugh** (Cornell) traces a crucial change in

English strategy at sea back to the 1740s. During this time, England created the Western Squadron to cruise the French Atlantic Coast. This fleet allowed the English navy to combine their various offensive and defensive military objectives. Accordingly, the Western Squadron could be used to defend the Britain against invasion, protect outgoing merchant vessels, intercept incoming French ships, and protect allies from French attack. In contrast, France continued to be torn between employing most of its resources towards either defending its strategic position in the continental system of states or to defending its growing colonial trade with the Caribbean against British interference at sea. Consequently, France could not mobilize the same amount of naval resources during the armed conflicts of the second half of the 18th century, even though its naval strength was at times superior to England's. Thus, over the course of the 18th century, England achieved uncontested control over the seas.

O'Brien stressed that in the 18th century the European powers were not worried about England as a technological leader but about its role as the most important trader. Contemporaries felt that foreign trade in France, as much as in England, had an important function as providers of capital for the growing economy. This increasing awareness of the importance of trade is evident in the development of a global strategy on the part of England in the period between the treaties of Versailles and Vienna.

The last paper, "Comparative Patterns of Colonial Trade: Britain and its Rivals," was presented by **Javier Cuenca Esteban** (University of Waterloo). Cuenca Esteban claims that, in the 18th century, British trade was both quantitatively more important and more diversified in products and regions than France's trade. He stresses the impact of Britain's expansion in the Asian trades during that century and the fact that colonial trade was characterized by improving terms of trade from the British point of view. Furthermore, he asserts that conditions of less than full-employment, exogenous demand growth, such as that experienced in Britain's colonial trade, might well have been a significant stimulus for industrial production. In conclusion, Cuenca Esteban notes that, when comparing France and Britain on the eve of the Industrial Revolution, there were important distinctive features in their external sectors. This favored British economic growth and structural change more than that of the French.

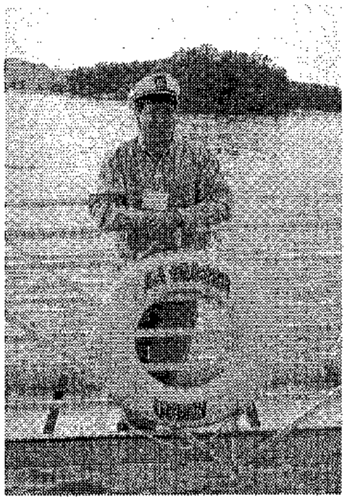
The ensuing discussion centered on the question of whether there was a long-term British strategy in maritime expansion, and if so when did it emerge. A suggestion was made to think about English maritime strategy as a "challenge and response" process: the country was challenged first in Ireland, then the Caribbean, etc. and increasingly developed from a reactive to a proactive strategy.

The four sessions of academic papers were followed by two shorter contributions by **Gianni Toniolo** (Universita di Roma Tor Vergata/Duke University) and **Antonio Gomez Mendoza** (Universidad Complutense Madrid), reflecting upon and honoring Patrick O'Brien's important contributions to European economic history and the professional development of his students.

"The avoidance of taxes is the only intellectual pursuit that carries any reward."

-John Maynard Keynes

A Letter from the Editor



Ahoy Clioms,

Greetings from the banks of the mighty Mississippi. Now that the annual Clio conference has come and gone (a detailed report of which you have certainly already seen beginning on the front page) and life has returned to normal in La Crosse, I find that the beginning of the fall semester is already closer than the end of the spring term. I fear that my to-do list for the summer is doomed to be quite full when the fall arrives. Gone are those lazy, hazy, crazy days of summer....

With this issue, I announce with remorse the end of our lengthy errorless-issue streak. We went just over one year with no typos, misidentified photos or omitted authors. However, in the spring issue, I goofed up. I reported that Chris Meissner was a discussant in Atlanta at the Clio sessions during the ASSA meetings in January, when in fact that role was filled by Kris Mitchener of Santa Clara University. It is unfortunate when an error is made, but I am thankful to the alert reader who pointed out the mistake, thus allowing me this opportunity for a retraction. We endeavor to check all facts before publication, but obviously have not yet perfected the practice. I appreciate and welcome all such notices of mistakes and apologize to those slighted.

As you no doubt have already noticed, this issue is a full one, with conference reports from multiple countries along with the usual features – a book preview, an interview, and a personal reflection. Let me take this opportunity to mention once again that we are always looking for books to preview. We prefer to preview books that will be published within a few months of publication of the *Newsletter*. We have a preview lined up for the fall issue, but there is still an opening for the spring. If you have a book you expect to be published in the latter half of next year, let me know, and we can preview it for the interested Clio audience.

I would also like to send out a request to our members located in Asia and Africa for help in reporting on conferences of interest to the membership. We have regular reports from Europe and the Americas but seldom see anything from other parts of the globe. If you are aware of such conferences or symposia, please alert me so that we can try and line up a report.

On another front, it has come to my attention that Cliometrics has now become a doctoral program. The University of Munich offers a doctorate in Cliometrics, complete with a monthly stipend of 900 Euros. For more information on the program, contact Professor John Komlos (jk@econhist.de). As you read this, we are in the process of tracking down more information about the program. I hope to be able to give a fuller report in a future *Newsletter*.

I look forward to meeting up with you again in St. Louis in the fall and Washington D.C. this winter. Until then, enjoy the rest of the summer, though that may be hard to do if Major League Baseball closes down as it appears likely to do.

Michael J. Haupert
Editor