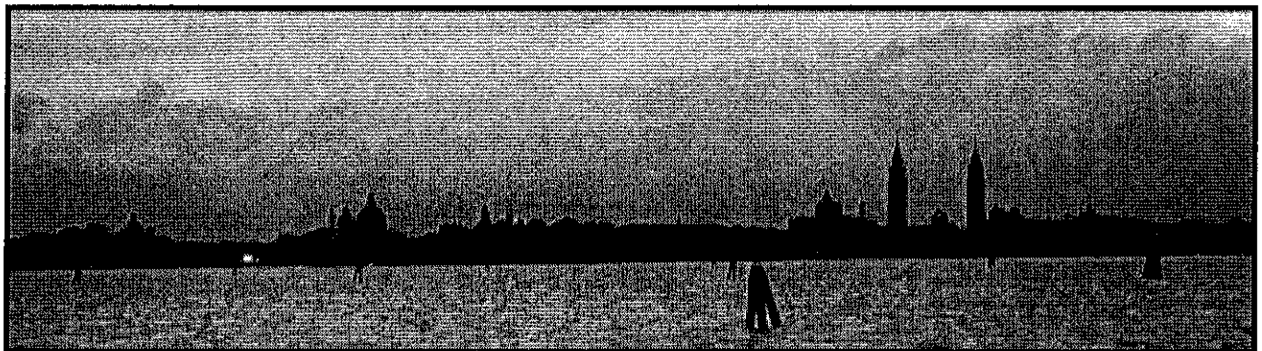
The Newsletter of

# The Cliometric Society

Summer-Fall 2004 Vol. 19 No. 2



The sun sets over Clio

## Report on the Fifth World Congress of Cliometrics

By Markus Baltzer (Tuebingen), David Jacks (UC-Davis), David Khoudour-Casteras (Institut d'Etudes Politiques de Paris), Gerhard Kling (Utrecht School of Economics), Angelo Riva (Orleans), Natalia Mora Sitja (Oxford), Marco Sunder (Munich), and Klaus Veigel (Princeton)

(Venice) The Fifth World Congress of Cliometrics was held in Venice, Italy, July 8-10, 2004. The program was organized by Lee Craig (North Carolina State), Price Fishback (Arizona), and Gianni Toniolo (Universitadi Toma Tor Vergata), who excelled at taking care of all the local arrangements that made the conference flow smoothly. More cliometricians than you can shake a sliderule at participated in the conference, run in atypical, concurrent session fashion due to the large number of papers presented. Over the course of three days, 58 papers were presented and discussed – thoroughly, in characteristic Clio fashion. The selection of papers summarized in this report is not a reflection of the quality of the papers, but rather the ability of the reporters to cover the wide range of offerings.

### What's Inside



**Yadira Gonzales De Lara** (University of Alicante) opened the conference with "The State as an Enforcer in Early Venetian Trade: A Historical Institutional Analysis." She develops a game theoretical framework supported by historical records in order to investigate institutions for contract enforcement that secured the trade funding in pre-modern Venice. The state (not the legal system) functioned as an enforcement and information transmission mechanism. On the one hand, it provided merchants with economic rents to commit, not to embezzle, the capital received; on the other hand, it provided stakeholders with information to evaluate agents' conduct. This mechanism was based on a wide distribution of the gains from trading. Audience discussion focused mainly on three topics: the advisability of regarding the Venetian state as a merchants' coalition, the possible role of technology in the evolution of the trade funding contracts, and the comparison between the Genoan and Venetian systems.

*(Continued on page 16)*

# Executive Director's Notes


*Our Fearless Leader*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Greetings Gentle Members:

Work, work, work. Well, it was heavy lifting at the Fifth World Congress of Cliometrics in Venice this summer, but a few hardworking souls showed up to share the wine … uh, I mean the good news of cliometrics. While the invisible hand works wonders, the visible hands of the Organizing and Program Committees – Price Fishback (Arizona), Albrecht Ritschl (Humbolt-Berlin), Gianni Toniolo (Duke), as well as those of Connie Malone (Miami) and Robert Whaples (Wake Forest) at EH.Net and Carole Merly (Arizona) – proved indispensable to the World Congress. All of us in Cliodom thank them. For those of you who missed it, you can read with envy all about the Congress in the summary and the Tarheel Tattler elsewhere in this issue of your *Newsletter*.

In terms of Society business, I have a few items, as always. First, Lou Cain (Loyola) and Alan Taylor (UC-Davis) retired from the Board of Trustees this year. They have my gratitude for their service. A special thanks goes to Lou, who completed four years as the chair of the Clio Trustees. The membership elected Lee Alston (Colorado) and Rick Steckel (Ohio State) to replace the retirees, and at its most recent meeting, the Board elected Rick Steckel to replace Lou as chair. Also, as required by the bylaws, the Board approved the budget, and it is printed below.

As for other business, the *Newsletter* also includes the summaries of the Economic History Association and Cliometric Society sessions at the Allied Social Sciences Associations meetings in Philadelphia, PA, January 7-9, 2005. I thank our Program Committee – Ben Chabot (Michigan), Dora Costa (MIT), and Werner Troesken (Pittsburgh) – for putting together an outstanding program. Don't forget that the Cliometric Society holds its annual reception, sometimes referred to as the Cliometric Society Blowout Bash, at ASSA. This year, Trustee John Murray and his colleagues at the University of Toledo will be hosting the CSBB in the Toledo suite at the Philly Marriott Downtown on Saturday, January 8. Details will be announced at the Clio sessions at the meetings.

The 2005 Annual Cliometrics Conference will be held at Lake Tahoe. The All-University of California Economic History Group is sponsoring the conference, and the University of California-Davis will host it. I look forward to seeing you in Philadelphia and Lake Tahoe.

Lee A. Craig,
Executive Director

**2004 Calendar Year Budget Report**

| ***Income*** | ***Budgeted*** |
|---|---|
| Dues – Regular | $7,290 |
| Dues – Students | 150 |
| EEH Subscriptions | 15,345 |
| EHES Dues Collected by Clio | 5,000 |
| Donations | 1,600 |
| Interest and Other Income | 200 |
| Credits Pending | N.A. |
| Total Income | $30,215 |
| ***Expenses*** | ***Budgeted*** |
| Salaries | $1,500 |
| Newsletter | 4,000 |
| Academic Press | 14,800 |
| Clio Member Dues Remitted to EHES | 4,000 |
| IEHA Dues | 250 |
| Director's Travel and Trustees Meeting | 1,200 |
| Bank, Credit Card, and Wire Fees | 1,750 |
| ASSA Meetings | 1,200 |
| Office and Other Expenses | 500 |
| Other Expenses - Grad. Student Travel | 250 |
| EH.Net Dues | 500 |
| Total Expenses | $29,950 |
| **Operating Surplus** | **265** |

# An Interview with Alfred Chandler, Jr.

*Alfred D. Chandler, Jr., Isidor Strauss Professor of Business History, Emeritus, transformed business history through his extensive work on the evolution of the modern corporation. His major books include* ***Strategy and Structure: Chapters in the History of the Industrial Enterprise*****,** ***The Visible Hand: The Managerial Revolution in American Business*** *(recipient of the Newcomen Award and Pulitzer and Bancroft prizes), and* ***Scale and Scope: The Dynamics of Industrial Capitalism*** *(which received an American Association of Publisher's Award and the University of Chicago's Melamed Prize). He was the initial recipient of the Business History Conference's Lifetime Achievement Award in 2002. This interview was conducted in person during April and June, 2004, by JoAnne Yates, Sloan Distinguished Professor of Management at the MIT Sloan School of Management. I am current president of the Business History Conference and have known Chandler since the early 1980s, when I came to MIT. I have benefited from his support and from his work throughout my career and am honored to present this interview with him.*

**Before discussing your view of the differences between business history and economic history, let's begin with some background on how you got where you are today. What made you interested in history in the first place?**

I always wanted to be a historian. At the age of 8, my father gave me the *Elementary History of the United States* by Wilbur F. Gordy. I was intrigued and read the book as many as 20 times. I still have it, and it reads very well. When I went through Exeter and Harvard, that's what I wanted to be – I wanted to be an historian.

**Can you talk a little about one thing which makes you different from many other business historians – the sociology influence?**

Well, after the war, when I was going to Chapel Hill for a master's degree in history, I had Howard Odum and Rupert Vance as teachers, and I was impressed with their sociology. Then at Harvard, I took Talcott Parson's sociology course, where I read Weber, Durkheim, and Marx, among others. I was particularly impressed by Weber, as well as Parson's own book, which was hard to follow but raised a continuing set of good questions. Of course, I was also influenced by Thomas Cochran and others at the Center for Entrepreneurial History, especially Tom's book on railroads.

**You wanted to talk about the relationship between economic history and business history as you did in your essay, "The Opportunities for Business History at the Beginning of the Twenty-First Century."**

Yes, about the shift from economic history as history to economic history as economics. The result of that shift has been the creation of business history as a separate academic discipline. That's the main theme I want to talk about today.

Economic history as a separate discipline began shortly after World War II with the formation of the Economic History Society, its *Journal of Economic History*, and its annual meetings. In the late 1940s and 50s, the growth of the EHS was shaped in good part by the Research Center in Entrepreneurial History established at Harvard by two members of its Economics Department, Joseph Schumpeter and Arthur Cole. Schumpeter provided the intellectual stimulus and Cole the entrepreneurial skills that maintained the Center well into the 1950s. After completing course work at the University of North Carolina, I returned to Harvard in 1946, and, as I was writing my thesis, I became a member of the Research Center in Entrepreneurial History. So, I begin by quoting *Men in Business*, the first book the Center published. William Miller says: "Every economist knows – if he did not, he could not help learning it from conversation with businessmen... So wrote the late Professor Schumpeter in introducing a point in his brilliant essay on Keynes. The professor's irony here was typical. Economists as a rule talk with businessmen about as often as theories of economic activity and economic development take account of actual business behavior – and, Schumpeter was saying, so much the worse for most theories."

Consider the contributors to Miller's book. They were young scholars, including Harold Passer, David Landes, Hugh Aiken, Douglass North, Robert Lamb, Irene New, and myself – a wide range of embryonic historians publishing history for the first time. Our mentors, including Edward Kirkland, Harold Williamson, and Thomas Cochran, were all presidents of the Association. Indeed, Cochran not only became president of the young American Economic History Association, but also of the long established American Historical Association. The Entrepreneurial Center was a wonderful activity run by Arthur Cole. We would have meetings once a month at the Faculty Club and discuss the work of the younger people, including their graduate school papers, which would become their dissertations. The Association's *Journal of Economic History* included articles by all these scholars, as did, of course, the Center's own journal edited by Hugh Aiken.

**So what happened next?**

OK, now I change the story. Economic history became economics, thanks to Robert Fogel and Stanley Engerman. The date's important here. In 1971, Fogel and Engerman published a collection of essays called *The Redefinition of American Economic History*. The title is very explicit. Their stated goal was to "introduce students to the quantitative revolution in historiography and the far-reaching substantive revisions produced by the new methodology." The essays in their book, they pointed out, were "to show the power of simple economic theory and mathematics in illuminating the problems of American life." Thus cliometrics was born.

**And how does this accord with your own view?**

My definition has been that economic history as history is focused on the evolution of enterprises and the industries in which they operated. To understand evolving historical change (and it is, of course, continually evolving), you must know *who* is involved and *when* the evolution occurred before determining the very important *how* and *why*. Now I'm going to tell a story about my first meeting with Bob Fogel at the Mississippi Valley Historical Society, as it was then known. I was at MIT in the 1960s, where I'd just published a biography of my great grandfather, Henry Varnum Poor. In the 1850s, he edited the *American Railroad Journal* and, from the late 1870s until the 1890s, edited and published annually *Poor's Manual of Railroads*. In 1964, I had published *Railroads, the Nation's First Big Business*. As those who know Bob will recall, he would send flows of letters about what he was doing and finding. At that time, he was exploring the impact of railroads on the US economy. His argument was that, in the 1880s, railroads had little impact and canals and rivers could provide transportation as well as railroads did. I very much disagreed. After Bob made his point, I replied using maps. I began by indicating that the oldest major canal was between the Lowell Mills and Boston. Once Stephenson's steam-powered "Rocket" locomotive had made its initial run in 1830, the first thing the mill owners did was to run a railroad alongside the canal. I then noted that the Mississippi Valley and its great rivers flood and freeze, as do the Great Lakes.

**And they don't always go the right direction.**

Exactly, so when the meeting was over, Bob came over and shook me vigorously. I was sure he was going to throw me off the platform. And I told him, "Bob you have a greater commitment to this than I have." Nevertheless, I greatly respected his innovative work, and we soon became good friends. For me, the modern industrial world begins in the 1880s, and I soon learned that the real impact of railroads on GNP was only beginning during this time period. Once you have the railroad, telegraph (along railroad lines), steamship, and cable, you have for the first time mass production and mass distribution for international markets. This was a central theme of my whole thinking.

**So you consider Fogel's work really economics, not history?**

Oh yes. It is economics and mathematics. What Bob was doing was innovative economics, but it was not history. Each is a different side of a larger coin. The shift from economic history as history to economic history as economics led to what can be termed the institutionalization of business history as a separate discipline. This process began with meetings of like-minded people at existing national and international meetings, with increasing numbers of courses in business history, and, subsequently, with journals that focused on business history.

Let me start with the meetings. In the 1950s, at meetings of the Economic History Association, a few of us (Richard Overton was key here) would have meetings about business history, in other words, forming an informal business history group. Under Arthur Cole, Tom Cochran, Cambridge's Poston, and others, the Economic History Association was becoming an international society by the 1960s, including even Russian scholars. Every four years, the Asociation had international meetings, which were important for all of us historians, particularly the younger scholars. These conferences were less about economics and more about how industries grew and who the entrepreneurs were; after all, a number of European scholars had attended the Entrepreneurial Center. Then after cliometrics began, there was quite a bit of talk about setting up a separate organization for business history. I was initially against it.

I argued that this is two sides of the same larger coin, but I lost. This would have been in the 1970s. The business historians then formed a regular association, the Business History Conference, with elected officers, committees, and meetings.

**It's interesting that the association is called the Business History "Conference." Most associations are named "Association" or "Society," and this is the only one I know that's named "Conference." Do you know why?**

It's because of its evolution. Scholars were still members of the Economic History Association. So initially, it really was just a conference group that got together. The name indicates the importance of the institutional start. Then what happened is that soon we had international meetings on a wide range of specialized topics. Such conferences were often turned into books. The Japanese started their own conference, the Fuji Conference, in 1980, and I went to Japan with Charles Wilson to attend.. The 1980s also saw the establishment of the Business History Society of Japan and its yearbook, a comparable German Society for Business History and its yearbook, and a comparable Business History Association in Britain with *Business History*. During the 1990s, business historians began to have international conferences on specialized topics that led to the publication of significant books. For example, the *Dynamic Firm* resulted from a conference in Stockholm. Franco Amatori organized a series of such conferences in Milan that led to *Big Business and the Wealth of Nation* and then *Business History around the World*. A similar evolution occurred in cliometrics.

**So we have conferences spreading from the US to Japan and Europe. How about courses and journals?**

There had been courses at Harvard Business School since the 1920s. By the 1960s and early 1970s, Ed Kirkland had one at Bowdoin, Dick Overton at Northwestern, Stuart Bruchey at Columbia, Austin Kerr and Mansel Blackford at Ohio State, Richard Sylla at NYU, and Richard Nelson at Columbia. So courses were spreading. Journals have also been important in the institutionalizing process. Beginning in the 1920s, there has been the Harvard Business School's *Business History Review*. The British Association's *Business History* began in the 1980s, followed by the Business History Conference's *Enterprise and Society* in the 1990s. That journal's subtitle, *The International Journal of Business History*, makes explicit its international scope. Finally, there is *Industrial and Corporate Change*, established at Berkeley in 1992, which includes economics and history. I like the title, since it matches my definition of business history as industry and the enterprises making up that industry. After all, during its 12 years of existence, change becomes history. The publication's strength is that it includes articles on both sides of the coin: economic history as history and economic history as economics.

**One of the things that Phil Scranton has brought back into business history is the smaller enterprises, the smaller companies.**

I couldn't agree more; I think the smaller companies are key. In modern industry, you can't have big businesses in many cases without a wide range of smaller supporting businesses and vice versa. You have to have both. For example, as I stress in *Inventing the Electronic Century,* the large European companies, Philips and Siemans, have failed in commercializing audio, video, and information technology products, because they had almost no support from a nexus of small companies comparable to those that existed in Japan and the United States.

**I know that your book about the electronics industry, *Inventing the Electronic Century: The Epic Story of the Consumer Electronics and Computer Industries*, came out in 2002 and that you have just finished working on your new book about the chemical and pharmaceutical industries, *Shaping the Industrial Century: The Remarkable Story of the Evolution of the Chemical and Pharmaceutical Industries.* Both of these books are, by your definition, business history. What comes next?**

My next book is on my maternal grandfather, William Gouverneur Ramsay. Irénée Du Pont, whom I knew well before we went off to school, had written a very good article about my grandfather entitled "How One Man Won World War I." I changed the title to "How One Man *Helped* Win World War I."

**I understand your grandfather's role had to do with munitions, did it not?**

Yes. Here is the story. World War I exploded suddenly. After the "Guns of August" went off, the German Army entered France within less than three weeks. The French and British armies drove them back to the Marne at the cost of enormous casualties, a million in the case of the French and not much less for the British. And, they had run out of ammunition. As a result, the French General Staff and British officers immediately came to the Du Pont Company. Ramsay, as the company's Chief Engineer, was able by the beginning of October to assure the Allies a steady supply of munitions then and for the rest of the war. My grandfather had gotten a job at the Repauno Chemical Company, the Du Pont Company's first venture in high explosives, after working on the Baltimore and Ohio Railroad while in his 20s. At Repauno, he played a significant role in shaping what became the modern Du Pont Company's management structure in 1902. He revolutionized the US high explosives industry much in the same manner as Carnegie had done in steel and Rockefeller in oil. Then, in the early months of World War I, he mass produced, on very little notice, the crititcal munitions the Allies needed to survive. He died in 1916 of pneumonia, brought on by overwork in doing so. By that time, he was a vice president at Du Pont. Incidentally, I and the rest of the family were unaware of the details of this story until we checked through the family papers and the Du Pont Company records at the Hagley Library.

**It sounds like a fascinating story. Does it still fall within your definition of business history? Or is it biography?**

I'm delighted that you asked this question, since it helps to clarify the difference between economic history as history and economic history as economics. Biography is rarely involved in economic history as economics, but it is central to economic history as history. As I just pointed out, my first book was a biography of my great-grandfather, Henry Varnum Poor, whose writings were essential for understanding the creation of the first modern industry, the railroads. In the same way, my contributions as assistant editor of four volumes of *The Letters of Theodore Roosevelt*, carried out in the 1950s, and as editor of seven volumes of the papers of Dwight D. Eisenhower during the World War II years are essential for the understanding of the political, military, and related economic events and issues of those years. My work with Alfred Sloan in the 1950s, in the writing of his autobiography

*My Years with General Motors*, was critical for my understanding of the rise of the modern industrial enterprise. My task with Sloan was to write up, in first person, what the rich documentary record showed and then to go over what I had written with Sloan and John MacDonald of *Fortune* to review and adjust it. It was a young historian's dream, with full records available and the resulting draft reviewed by the principal participant. The experience with Sloan emphasized the value of business history as economic history that is expressed in the new discipline of business history.

**And what do you think about the new focus on social history as part of business history?**

Certainly business history as social history is growing. But I don't see that as the core of business history.

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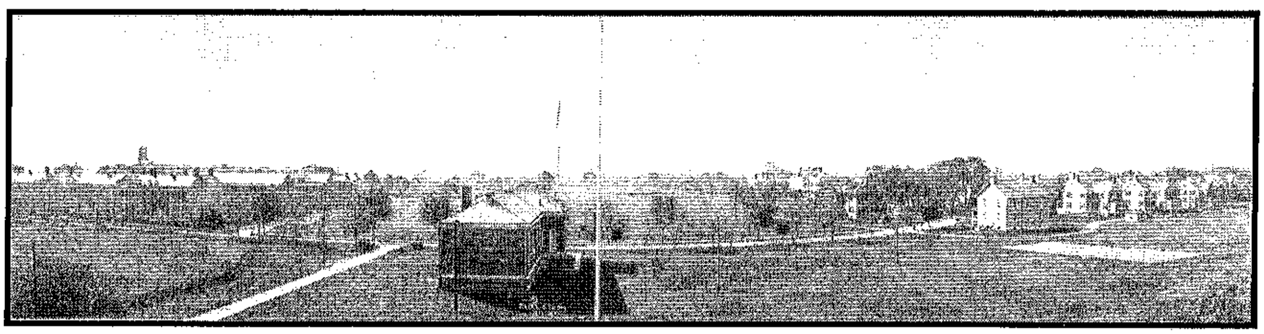


*Fort Dupont c1912*

# The Economic and Business Historical Society Meeting

By Daniel Giedeman, Grand Valley State University

(Anaheim) The 29th Annual Meeting of the Economic and Business Historical Society was held April 22-24, 2004, in Anaheim, California. Kenneth Weiher (Texas-San Antonio) was the program chair. Lynne Pierson Doti (Chapman), Larry Malone (Hartwick College), and John Rossi (Penn State-Erie) were also instrumental in the organization and success of the conference. Fifty-three papers were presented in 19 sessions by authors from several nations (including Germany, India, Ireland, Portugal, and the United Kingdom), as well as from across the United States and Canada.

"Advancing Transportation Technologies" was the theme of one of the opening sessions of the conference on Thursday morning. Chaired by David Whitten (Auburn), this session focused on the development of the railroad and airline industries. **Erik Benson** (Ouachita Baptist) began with "The 'Business' of Flight: A Historical Overview of International Commercial Aviation." In his examination of the history of international aviation from the interwar period to the present, Benson explores the interplay of business, politics, diplomacy, and culture. He argues that the development of this industry was not determined solely by economic factors, but was guided by other concerns as well. **Thomas Winpenny** (Elizabethtown College) then presented "Rough Night on the Pacific Express in Ashtabula in 1876: Perhaps Only a Kuhnian Change Would Alter That World." He describes the effort to assign responsibility in the aftermath of the fatal crash of the *Pacific Express* off the Ashtabula Bridge in 1876. Winpenny suggests the movement towards railroad safety and reform had to wait until a paradigm shift associated with the end of the first generation of "rail titans." **Frederick Gates** (Southwestern Oklahoma State) closed the session by examining "The Impact of the Western and Atlantic Railroad on the Development of the Georgia Upcountry, 1840-1860." He details the positive effects of the W & A Railroad in Georgia, which included increases in population and land prices, in addition to the increases in agricultural output associated with farmers' greater access to markets.

Michael Landry (Northeastern State) chaired the second of the opening sessions, "Shifting Norms in Recovering Economic Conditions." **Michael Dawson** (British Columbia) began with, "A 'Hand to Mouth' Response: Washington State Anticipates the Postwar Tourist Boom, 1940-1946." He takes a look at the generally successful efforts of the Washington tourism industry to encourage potential postwar tourists to consider visiting after the war had ended and, to a lesser extent, to promote visits even as the war was continuing. Next up, **Matthew Bellamy** (Carleton) talked about "Poor by Nature, Rich by Policy: State Intervention and Canada's Polymer Corporation, 1942-1988." Although "crown corporations" are typically viewed as being inefficient, Bellamy details the success of the Polymer Corporation in promoting Canadian wealth and welfare as a direct result of the corporation being given a clear objective along with the freedom to pursue that objective. **Vincent Gaddis** (Benedictine University) closed with "Municipal Government and Voluntarism: Chicago, Milwaukee, and Detroit – The Great Depression." He focuses on the early Depression in these three cities and the response of municipal leaders to it and to President Hoover's policies.

The following morning, Allen Bures (Radford) chaired "Technological Improvements & Industrialization." **John Paul Rossi** delivered "Concentration in Paper: A Brief History of the Hammermill Paper Company, International Paper Company, and their Merger," written with **Robert Markley** (Erie Insurance). They detail how changes in the paper market and paper-making technology facilitated the merger of these firms which previously had operated in two, highly segmented paper industries. **Steven Collins** (St. Louis Community College-Meramec) followed with "System, Technology, and Confederate Gunpowder Production." Collins traces the history of Confederate gunpowder production, concentrating on the technological transfers that enabled the South to produce significant quantities of high-quality powder. In the final paper of the session, **Yovanna Pineda** (St. Michael's College) investigates "Industrialization without Development: Argentine Investment in Imported Technology, 1890-1930." Pineda studies the failure of Argentina's manufacturing sector to become efficient and sustainable as a result of its failure to invent and/or innovate technology.

William Smiley (Marquette) chaired the session on "Banking Practices around the World." **Ching-Yi Chung** (UC-Irvine) opened the session with "When Bank Managers Work Diligently: An Empirical Examination of the Early Republican Chinese Banking Industry." Using panel-data techniques, Chung finds no significant relationship between bank performance and bank managers' equity stakes in Shanghai from 1912-1937. **Daniel Giedeman** (Grand Valley State) continued with "Branch Banking, Information Asymmetries, and the Freedman's Savings Bank." He examines the brief post-Civil War history of this widespread, interstate branching bank and contends that information asymmetries between the bank and its depositors strongly contributed to the bank's failure. **Andrew Seltzer** (Royal Holloway College) closed the session with "Internal Labor Markets in the Australian Banking Industry." He argues that the use of internal labor markets provided an efficient solution to such problems as worker turnover and also provided proper incentives to encourage workers' effort and honesty.

The second day of the conference started with three concurrent sessions. The first of these, "Politics and Personalities behind Energy Resource Development," was chaired by Jerome DeRidder (Salisbury State). **Sarah Elkind** (San Diego State) kicked off with "Energy and Fear of the Fed: The Politics of Private Power Development at Hoover Dam." She looks at the controversy concerning the expansion of the federal government's authority over power and states that the Hoover Dam represented an early compromise between progressives' desires for public development of natural resources and conservatives' fears of excessive federal enterprise. **Michael Adamson** (Adamson Historical Consulting) then looked at "The Role of the Independent: Ralph B. Lloyd, the Lloyd Corporation, and the Development of the Ventura Oil District, 1915-60." Adamson examines the development and role of Ralph Lloyd's nonintegrated oil company in California's Ventura Basin.

Laurence Malone (Hartwick College) chaired "Collusion, Political Scandals & Antitrust Policy." In her paper, "Kentucky Night Riders: A Study of Collusion," written with **Anne Hancock, Nancy Lumpkin** (both Georgetown College) explores the unsuccessful and often violent history of an unofficial enforcement mechanism for a turn-of-the-century tobacco farmers cooperative.

**Harvey Hudspeth** (Mississippi Valley State) followed with "One Percent Inspiration and 99 Percent Tracing Paper: The Pan-Electric Scandal and the Making of a Circuit Court Judge, April-November 1886." Hudspeth throws light on the dishonest attempts to annul Alexander Graham Bell's telephone patents and the role that Judge Howell Jackson played in thwarting such attempts. **Joseph Ford** and **Charles O'Donnell** (both Iona College) ended the session with "The Evolution of Antitrust Policy: From Performance Theory to Performance Theory."

"War Economies in the Western World" was the theme of the session chaired by Janice Traflet (Columbia). **Philip Ollerenshaw** (University of the West of England, Bristol) draws parallels and contrasts between Northern Ireland and British regions in his paper, "Business, Government and Industrial Mobilization in World War II: Northern Ireland in a UK Context." **Jeanie Welch** (UNC-Charlotte) turned our attention to "Cutthroat Competition: The Amboyna Massacre in Seventeenth-Century Commerce and History." She examines the 17th-century spice trade and the consequences of a Dutch governor's torture and execution of 21 employees of the English East India Company. Next, it was time for "High Noon on the Western Plains. The American Gunfighter: A Serial Killer or Protector of Property Rights? An Economic Analysis of the Great American Grassland Wars" by **Randy McFerrin** (New Mexico State) and **Douglas Wills** (Washington-Tacoma). They feel that gun fighting can be viewed as a means of protecting existing property rights rather than as merely bloodthirsty violence.

As the Friday morning sessions continued, Erik Benson chaired "Issues of Internationalization." **Bruce Cronin** (University of Greenwich) led off with "Business Networks and the Idea of Internationalization among New Zealand Firms 1972-96." Supported by evidence from a longitudinal study of the 110 largest New Zealand firms, Cronin asserts that decisions on internationalization were driven more by social network dynamics than economic factors. **Kailai Huang** (Massachusetts College of Liberal Arts), in "US-China Commercial Relations after Normalization, 1979-1980," describes the growth and growing pains of business relationships between the two countries. **David Khoudour-Casteras** (Institut d'Etudes Politiques de Paris and Berkeley) wrapped up the session with "On the Importance of International Migration in the Gold Standard Success." His econometric results demonstrate a strong connection between exchange rate regimes and migratory patterns allowing Khoudour-Casteras to conclude that international migration did play a key role in the success of the gold standard.

Lynne Pierson Doti chaired "Creative and Technological Innovation." **Amit Kapoor** (Management Development Institute, Gurgaon, India) started with "Redefining Entertainment: Industry Evolution and Impact of Technology." Kapoor uses an evolutionary approach to examine how the entertainment industry has changed over the last five decades. **Roberto Mazzoleni** (Hofstra) talked about "The Development of Universities and Public Research Institutions: A Historical Overview of Its Role in Technological and Economic Catch Up." Mazzoleni follows the emergence of cross-country pathways of influence in the development of academic systems during the 19th century. **Michael Landry** (Northeastern State) finished with "Stan Freberg Discovers Advertising: How an Accomplished Satirist Became Part of the Creative Revolution," written with **Richard Stone** (Shippensburg).

They outline the career of Stan Freberg, paying particular attention to the role he played in altering advertising in the 1950s.

The last morning session on Friday was "Market Power and Market Forces," chaired by Richard Keehn (UW-Parkside). **David Whitten** and **Michael Namorato** (Mississippi) began the session with an investigation into "Corpse Abuse and the Body Parts Market." They detail many recent examples of corpse abuse, as well as the frequently illegal and often tragic market for body parts throughout the world. **Matthew Gregg** (Grinnell College) then analyzed "The Role of Market Forces on Productivity Differentials in Cherokee Indian Agriculture before Removal." Using a unique dataset collected by the War Department in 1835 of more than 2500 Cherokee households, Gregg finds that selling to the market was associated with superior efficiency and productivity. **Felim O'Rourke** (Institute of Technology in Sligo, Ireland) ended the morning with a look at "The Struggle for Market Power in 19th-Century America." O'Rourke traces the development of markets and the attempts by firms to obtain market power through consolidation and differentiation.

In the afternoon, Silvano Wueschner (Iowa) chaired "Early Developments in Stocks and Shareholder Liability." **Arthur Rolston** (UCLA) delivered "The Strange Career and Ironic Endurance of Stockholder Liability in California, 1849-1931." He states that the persistence of stockholder liability resulted from the power of populist sentiments at both of California's constitutional conventions. In "Much Ado about Nothing: The Introduction of Limited Liability and the Market for Nineteenth-Century Irish Bank Stock," **Charles Hickson** (Queen's University of Belfast) and **Claire McCann** (University of Ulster) find little evidence that the move to limited liability had a significant impact on the trading of shares. **Magnus Helgason** (Minnesota) ended with "The Icelandic Stock Exchange: The Creation of a Market for Stocks and Securities and a Market Culture in a Small Closed Economy." Helgason follows the unique development of Iceland's stock market and the role it played in Iceland's economic transformation of the 1980s and 90s.

"Innovative Leaders of Business Evolution: From DaVinci to Ibn Khaldun" was chaired by Wade Shilts (Luther College). **Adil Mouhammed** (Illinois-Springfield) presented "Ibn Khaldun and the Business Economy," in which he analyzes Ibn Khaldun's 14th-century social evolutionary theory. The second paper of the session was "Edwin E. Witte: An Important Architect of the Social Security Act of 1935" by **Charles O'Donnell** and **Joseph Ford**. **Jerome DeRidder** closed with "Tracing Accounting Theory from 2,600 B. C. to the 20th Century." DeRidder puts forward many of the major changes in accounting theory, especially focusing on developments after the introduction of double-entry bookkeeping in the 15th century.

John Rossi chaired "Political Economy throughout History." **Stephanie Crofton** (High Point University) spoke on "The Bubonic Plague of 1349, the Wage-to-Rent Ratio, and the English Peasant Family." Crofton shows how the bubonic plague created changes in economic conditions, which in turn changed the norms of social behavior, especially within families. "State Subsidies, Investment Behavior, and Risk in Italian Industrial Districts, 1971-1991" was presented by **Anna Spadavecchia** (The University of Reading). She argues that subsidized firms in Italy adopted lower risk strategies associated with lower profits than firms that were never subsidized. **Antonio**

**Calabria** (Texas -San Antonio) completed the session by looking "Inside the Central Jail of the City of Naples in 1580: Public Health in an Early Modern Penal Institution."

Michael Namorato chaired the first session on the final day of the conference, "Capitalism at the Turn of the Century." **Scott Dalrymple** (Hartwick College) offered a view of "The Economist as Novelist: Will Payne and the Ethics of Capitalism." He examines the writings of Will Payne, a turn-of-the-century author, who, unlike many of his contemporaries, presented a middle-of-the-road approach that neither completely vilified nor lauded capitalism. **Eliot Orton** (New Mexico State) spoke on "Debunking the Income Tax: From Progressivism to Corporatism." He contends that the enactment of the US income tax was conducted using a dishonest process designed to promote the interests of big business.

The next session of the day, "Labor Union Leadership," was chaired by Stephanie Crofton (High Point University). "A Historical Perspective of Labor Relations at United Airlines" was presented by **Marian Schultz** (University of West Florida) and **James Schultz** and **Art Rosado** (both Embry Riddle Aeronautical University). They follow the development of union involvement at United Airlines from 1931 through the acquisition of the airline by its employees in 1994 to the present. **James Stitt** (High Point University) spoke on "Organization Preservation: The Trades Union Congress vs. the Association of Joint Industrial Councils over the Issue of Compulsory Enforcement of Voluntary Agreements." He considers the role of compulsory enforcement in the interplay and rivalry between the TUC and AJIC in the 1920s and 1930s. The last paper was "Throwing Down the Gauntlet – The PATCO Class of 1981: Broken Dreams and Ruined Careers" by **Paul Butterworth** (Delta Airlines), **Marian Schultz**, and **James Schultz**. They use personal accounts to examine the effects and aftermath of the 1981 strike by air traffic controllers and their subsequent firing by President Ronald Reagan.

Daniel Giedeman chaired "Economic Growth in Developing Nations." **Gbolahan Osho** (University of Houston-Downtown) presented "Sub-Sahara Political Systems and Economic Development: Empirical Time-Series Analysis," written with **Matthew Uwakonye** (University of Houston-Downtown) and **Arinola Christiana Osho** (Oklahoma State). The authors find that as the level of economic development increases, the level of democracy also increases (although Osho was cautious in his interpretation of these results). **Luciano Amaral** (Universidade Nova de Lisboa) explored "Economic Growth in East Asia and Peripheral Europe (1960-2000)." He claims that TFP growth in East Asia compared favorably to that of Southern Europe. He goes on to suggest that the micro-level interventions by Asian states are less harmful to growth than the large government states of Europe.

The first of the final set of sessions was "Economic Strategy and Policy: US and Germany," chaired by Antonio Calabria. **Simon Niklas Hellmich** (Universitat Bielefeld) looked at "Labor and Management in the United States and Germany 1900-1933: A Co-Evolutionary Approach to Institutional Change in Industrial Regimes." Hellmich proposes that national divergences in capitalism arose because technologies, organizational arrangements, and behavior routines co-evolved with national institutions. In "The Fight to Control America's Financial Markets during World

War II," **Herbert Reginbogin** (Pacific States University and the University of Istanbul) asserts that public policy weaknesses and an inability to resolve the dilemma between issues of free trade and national security allowed Germany to successfully utilize American financial capital markets prior to and during the War. The session finished with "Varieties of Human Capital: Historical Origins of the German Skills Machine" by **Dayid Meskill** (Harvard). Meskill claims the establishment of the Working Committee on Vocational Training in 1926 represented a key turning point in the emergence of a highly skilled, modern, German workforce.

Nancy Lumpkin chaired "Debt, Tariff and Tax Systems." **Carl Lane** (Felician College) began with "Payment of the US National Debt Held Hostage: Another Look at the Nullification Crisis, 1832-1833." He contends that South Carolina's declaration that the federal tariffs of 1828 and 1832 were null and void within its boundaries was a bluff by which the state secured tariff reform and elimination of the national debt. **Noel Johnson** (California State-Long Beach) followed with "Banking with Bureaucrats: The Persistence and Fall of the Company of General Farms in Old Regime France." He states that the Company of General Farms' ability to ensure that the Crown was unable to abrogate its property rights resulted in a dynamically inefficient tax system. **Elbra David** (California State-Northridge) offered "A Look at the Role of Debt in 1826 Natchez, Mississippi." He analyzes a non-bank market for credit by examining legal cases brought to court for nonpayment of debts in a region characterized as "unsophisticated" and "specie-deficient."

The theme of the final session, chaired by Kenneth Weiher, was "Adaptation during the Industrialization Era." **Michael McAvoy** (SUNY-Oneonta) led off by asking "How Were the Federal Reserve Bank Locations Selected?" McAvoy finds little evidence that political considerations were the driving force behind the choice of Federal Reserve Bank locations. In "Executive Leadership at the Big Board," **Janice Traflet** (Columbia) studies the role played by various presidents of the NYSE. **Yasukichi Yasuba** (Osaka Gakulin University) presented the final paper of the conference, "Real Wages in the Early Stages of Industrialization: Japan, the United States and UK." She concludes that the real wages of unskilled workers grew much more rapidly in Japan during its early industrialization than had occurred in the early industrializations of the US and UK.

In addition to the sessions, conference participants were also able to enjoy several other special events. On Thursday afternoon, a backstage tour of Disneyland was given for EBHS members. Later, attendees enjoyed a dinner hosted at Chapman University, which was highlighted by a presentation given by **Lance Davis** (CalTech). Davis' well-received lecture, "The Effectiveness of Naval Blockades," explored not only military blockades but also the use and effectiveness of sanctions in general. At a second special session, held late Friday afternoon, **Roger Ransom** (UC-Riverside) gave an interesting lecture entitled "The Beards Were Right: The Civil War and the Triumph of American Capitalism." In his talk, Ransom argued that the importance of the effect of the Civil War on American economic growth should not be too readily dismissed.

The 30th Annual Meeting of the EBHS will take place April 28-30, 2005, in High Point, North Carolina. James Stitt (High Point University) is the Program Chair Details and the call for papers can be found elsewhere in the *Newsletter* and at the Economic and Business Historical Society website: www.ebhsoc.org.

## Clio Congress *(Continued from page 1)*

**Concepcion Garcia-Iglesias** (University of Helsinki) presented the paper he wrote with **John Kilponen** (Bank of Finland), "Trends, Cycles and Economic Growth in the Nordic Countries during the Classical Gold Standard Period." He explains that Finland and Denmark, Sweden, and Norway presented different economic growth and cyclical patterns, although they all belonged to the classical gold standard. Indeed, the three Scandinavian Currency Union members recorded higher levels of economic growth and fewer short-run cyclical movements than Finland. This seems to indicate that, beyond the mere adherence to the gold standard, domestic conditions related to the institutional setup of the monetary and real economy (in particular the monetary union between Scandinavian countries) were very important in securing common patterns of economic development.

After some methodological points, such as business versus building cycles, transmission channels between the gold standard countries and the Scandinavian Union members, and problems of co-integration, the discussion focused on the reasons for the differences between Finland and the other Scandinavian countries and also on the similarities/ dissimilarities between Nordic countries and the other gold standard members. Sweden, for instance, was more closely related to the economic cycles of the rest of Europe than the other Scandinavian countries, in part because of more trade connections. It is also important to notice the existence of co-movements between the Scandinavian economies in periods other than the gold standard.

In the next set of sessions, **David Jacks** (UC-Davis) investigated "What Drove 19th-Century Market Integration?" He aims to supplement the lack of a comprehensive set of trade costs for the 19th century by using the time-series of commodity prices (wheat) to infer transaction costs as well as the speed of price adjustment. The most important

*Snappy comments, wild hats, and hearty appetites, these first-time Clio attendees had it all.*

changes driving 19th-century market integration seem to be institutional and geographic. One of the main points raised during the discussion referred to the binary variable used to indicate technological transportation improvement (and capturing the construction of the railway). Knick Harley (Western Ontario and Oxford) and others agreed that transportation systems undergo evolution and behave as a continuous variable, for which they could be better represented by the time dummy variables. Other concerns were related to the use of spot prices and the comparability of wheat prices across cities.

**Jane Toman** (Sydney) spoke on "The Papal Conclave: How Do Cardinals Divine the Will of God?" The election of a new pope in the Sistine Chapel can be a difficult process; there are up to four voting rounds per day until a two thirds majority for one candidate is achieved. Results from fixed effects panel count data models for five of the 20th-century conclaves by cardinal candidate and voting round indicate that the outcome of the previous round has a positive impact. There are, however, mixed results for the "momentum" effect, and the possibility to have extensive discussions in the evenings has an adverse effect on the tallies for the later candidate in the election on the following morning. Toman finds that in the end of each conclave analyzed, God's (estimated) favorite candidate became pope, insofar as the winner was always the one with the largest fixed effect.

Albrecht Ritschl (Humboldt University, Berlin) suggested that coalitions among the voters could be considered more explicitly if it is possible to ascertain which of the cardinals belongs to the more liberal and which to the more conservative group. Some members in the audience felt that in the context of this paper, the terms "sincere" and "strategic" voters sound awkward. Haggay Etkes (Jerusalem) wanted to see more variables in the model, such as ages. Marco Sunder (Munich) was intrigued by the fact that Karol Wojtyla received very few votes in the first 1978 conclave but was elected Pope in the second one during the same year. Toman responded that this was because two strong candidates had no chance of getting the necessary majority. She said that after this conference she was traveling to Rome to check what additional information is available in the secret archives of the Vatican. There was no word on whether unraveling Vatican secrets is a ticket to hell.

**John Turner** and **Charles Hickson** (both Queen's University, Belfast) had much to say about "Much Ado about Nothing: The Introduction of Limited Liability and the Market for Nineteenth-Century Irish Bank Stock." They deal with the impact of the legal status of a firm on the liquidity of its shares. According to the standard view, limited liability is necessary for the existence of a liquid securities market because of the prohibitive transactions costs associated with trading the shares of an unlimited liability firm. Using a new database, they examine the trading of shares in an Irish bank that converted to limited liability in 1883. They state that the move to limited liability had a slight impact upon the trading of these shares because bank legislation reduced transactions costs for unlimited liability by imposing a post-sale, extended liability requirement and that impecunious individuals would not become bank owners. The discussion focused on the nature of the unlimited liability organization and the banking business in 19th-century Ireland.

The next round of papers opened with **Mary Mackinnon** (McGill) and **Chris Minns** (Trinity College, Dublin), who presented joint work with **Alan Green** (Queen's

University) entitled "The Costs of Doing Hard Time: A Penitentiary-Based Regional Price Index for Canada, 1880-1925." The authors first note the lack of a truly national price series for pre-1930 Canada. They take as their task to construct such a price series based on the purchasing orders of federal penitentiaries. Along the way, they comment on the development of regional disparities in prices and the implications of the new figures on estimates of nominal GDP for the period. Much of the discussion centered around three points: the degree of competition among suppliers, the composition of the prison consumption basket, and the role of rents. On the degree of competition, Frank Lewis (Queen's University) asked whether collusion among suppliers was responsible for the regional differences in prices, to which the authors responded that the entry and exit of supplying firms in the prison registers suggests a fair degree of competition among suppliers. Many participants were concerned that the low quality of a prison consumption basket might not accurately register changes in relative prices over time as substitution is explicitly ruled out. For Minns, this was the principle advantage of using prison prices, as constant quality is assured. Finally, Richard Sutch (UC-Riverside) wondered where housing costs were in the index; given their heavy weight in most modern samples, some attempt needs to be made in incorporating them into the study. The authors responded that the construction of a building material component was possible, but unfortunately, their sources contain no information on rents.

**Marc Weidenmier** (Claremont McKenna and NBER) and **Kris Mitchener** (Santa Clara and NBER) take a look at the punishment of sovereign debtors in "How are Sovereign Debtors Punished? Evidence from the Gold Standard Era." They concentrate on the period 1870 to 1913, known as the classical Gold Standard Era. Using a gravity model to control for distance, market size, and urbanization, they explain the effect on trade triggered by default in former periods. Generally, default had a negative impact on trade. However, the lag structure of their model led to a discussion about whether one should justify the structure by applying model selection criterions. Their model is noteworthy in that it shows that default could also have stimulating effects on trade if it occurred two periods prior. Nevertheless, this highly interesting paper provided lots of evidence that default affected bilateral trade negatively. Furthermore, so-called "super sanctions," like the Venezuelan Incident, led to a remarkable decline in trade.

**Haggay Etkes** presented his paper on "Early Modern Globalization and the De-Urbanization of the Ottoman Empire: The Case of Jerusalem," written with **Miri Shefer** (Tel Aviv). They argue that increasing Western European demand for foodstuffs, and hence rising prices in the second half of the 16th century, induced a shift of the urban population towards the agricultural sector in the Ottoman Empire. De-urbanization was accompanied by a downturn in urban production and a declining urban skills premium. Urban production in Western European countries increased, and their urban real wages overtook those in the Ottoman Empire. The empirical evidence on wages, prices, and urban population shares that they analyzed support the hypotheses of the theoretical model. Kevin O'Rourke (Trinity College, Dublin) wanted to know whether this development was really initiated by a demand shock, which should first have resulted in an increase of agricultural wages. It was observed that this development paralleled the Dutch disease and that there must have been considerable spatial distributional consequences. One aspect the

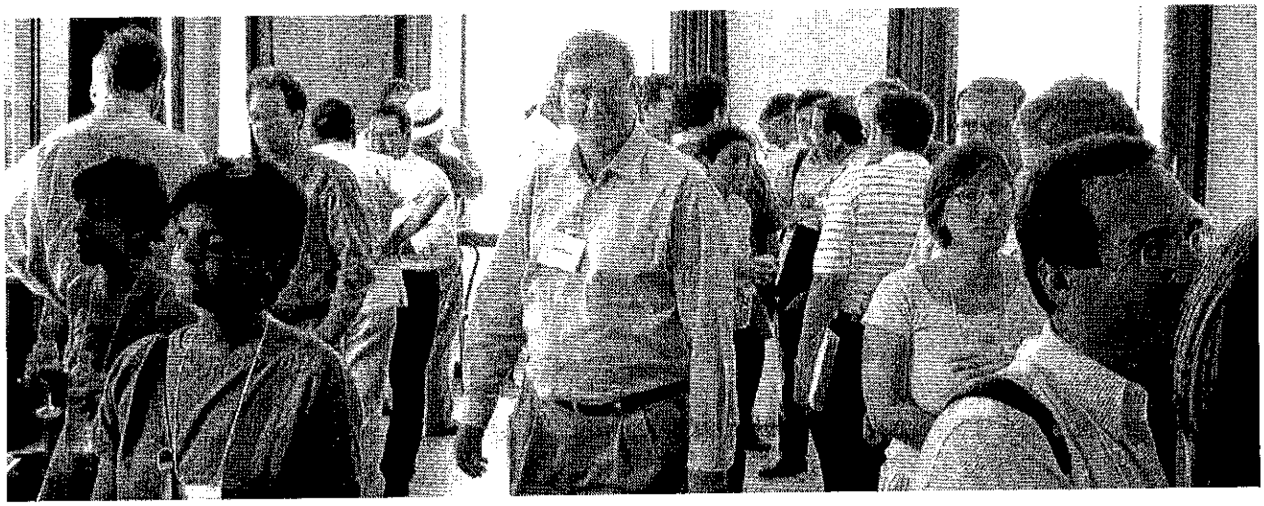
*Three possible reactions to an Ole and Lena joke.*

authors might look into could thus be the government's reaction to increasing land rents.

**David Mitch** (University of Maryland-Baltimore County) added to the debate on skill-biased technical progress, which normally underlines the relationship between technological change and increasing demand for skilled labor. He examines the shift from sail to steam shipping from 1860-1912, partially confirming the skill bias inherent with the shift to steamships. However, he finds that for some periods the technological progress might also be skill saving. In a lively discussion, several issues were raised. The ship type (different size) might play a role regarding the occupations and skills needed. In addition, the introduction of steam technology could make older skills worthless. There was also development in the technology used for sailing ships, which should be addressed. The suggestion was made that Mitch could obtain additional insights by controlling for different kinds of voyages (distance, destination etc.).

**Martin Shanahan** (Adelaide) closed out the first day of the conference with his study of "Life Insurance and Wealth: Evidence from Ontario, 1892 and South Australia, 1905-1915," written with **Livio Di Matteo** (Thunder Bay) and **J.C. Herbert Emery** (Calgary). They compare the determinants of having life insurance in these two distant locations on the basis of samples of probate records they have linked to other sources of personal characteristics of the testator. While Australians had more insurance than Canadians, the relationship with wealth turns out to be similar in both places. More wealth accumulation meant lower insurance probability, thus life insurance is regarded as a substitute for self-insurance. Sutch remarked that there could be differences in the insurance market regulation between the two countries; in particular, the existence of Friendly Societies in Canada may explain lower levels of insurance. In addition, the (US) insurance scandal of 1905 could have created some difference between the two time periods. Shanahan said that they would also look at the price of insurance, which actually may have been lower in Australia. Javier Silvestre (Universidad de Zaragoza) asked that the authors consider whether there were other types of insurance available that could act as a substitute for life insurance, such as workers' compensation systems. Finally, the need to look at age patterns of life insurance as a possible explanation for the differences found was also raised.

Friday morning dawned bright and sunny, the perfect setting for **Giovanni Vecchi** (Universita di Roma "Tor Vergata") and **Michela Coppola** (University of Munich) to discuss "Nutrition and Growth in Italy, 1861-1911. What Macroeconomic Data Hide." They use household-level data on food consumption to estimate a selection of malnutrition measures in Italy before 1914. The results call into question the pessimistic view that the nutritional status of the bulk of the population failed to improve during the early phases of Italy's modern economic growth. In contrast, they indicate that malnutrition decreased between 1881 and 1901 and nutritional improvements accrued disproportionately to the poorest of the poor. They assert that scarcity of historical micro-



*A break between sessions.*

data is a limit that can be overcome by combining the latter with macro-data (population censuses) and standard statistical methods (post-stratification). The discussion concentrated on the need to control for changes in work intensity, as it implies changes in calorie requirements, whether the decrease in malnutrition rates was due to an income effect or a substitution effect.

**Sam Williamson** (Miami University) presented "What is Something Worth?" his joint work with **Lawrence Office** (Illinois-Chicago). Building on their work on "How Much is That?" on the EH.Net website, the authors attempt to lay out a methodology for addressing the titular question. This exercise demonstrates that there are more than a few ways to make cross-country and inter-temporal comparisons of worth. The overriding message is that context matters, and when making such comparisons, researchers (and economic historians especially) should make the context explicit in any discussion. Lewis asked where the utility functions were, as surely there must be some role for consumer surplus in any analysis of worth. Williamson responded that the title might instead be "What is Something's Price Index Number Problem?" as the point of the exercise was to underline the importance of context and the potential importance of shares. Riitta Hjerppe (Helsinki) pointed out the importance of the theme as many public debates hinged on how to value such things as former war reparations or the sustainability of social welfare programs.

**Drew Keeling** (Berkeley) presented "The Economics of Migratory Transport between Europe and the USA, 1900-1914" and his analysis of the strategies of European migrants and shipping companies. In lieu of trying to explain the determinants of migration before WWI, he focuses on the reasons why so few people went to the US during the period of mass migration. According to Keeling, most people believed the risks of the migration process, in particular transportation conditions, outweighed the benefits and preferred to stay in their own country despite difficult conditions there. Shipping companies tried to cope with the high volatility of migrant flows, crafting strategies that allowed them to smooth their income and lessen the risks of their activity.

One of the central points of the discussion was the controversy over the introductory question of the paper – why did most

Europeans choose not to migrate across the Atlantic? Some participants thought that problems of selectivity (where to migrate) or timing (when to go) were more important than who didn't migrate. The relative importance of pecuniary costs (poor countries do not send migrants to the US) and risk perception in the decision to migrate were also raised. Keeling did not believe the question of costs was so important, since the time necessary to reimburse them was relatively short (hence the importance of capital markets). He felt risk in the form of language, family, and life conditions was more important. Thus, the stability of shipping prices can be explained by the existence of barriers to market entry and the improvements made by the companies in the transport conditions. Indeed, the ships served migrants in one direction and carried tourists in the other.

**Dan Bogart** (UC-Irvine) spoke on "Turnpike Trusts and the Transportation Revolution in 18th-Century England." Drawing from fresh archival sources, Bogart contends that the development of turnpike trusts was associated with lower passenger and freight fares, as well as travel times, in 18th-century England. In the cross section, he is able to demonstrate that a higher proportion of routes managed by turnpike trusts implied lower land carriage rates. He establishes that land carriage rates fell after the introduction of turnpike trusts. Bogart concludes by noting that the social savings may have been associated with the development of the trusts, suggesting that organizational changes may have been the primary mover in the transportation revolution. Jason Long (Colby) asked whether there was a problem with using legislated price ceilings as proxies for actual freight rates. Bogart replied that the correspondence between advertised, assessed, and actual rates, although not perfect, gave sensible patterns in the panel. Mitchener wondered whether changes in the composition of commodities shipped or the survival rate of merchandise might be driving the results, additionally noting that this sort of problem could easily be dealt with econometrically. Rebecca Menes (George Mason) thought that considering the political economy of rate setting and the potential role of collusion might inform both the narrative and econometric analysis.

Next on the docket was "Military Spending Behavior of the Great Powers, 1870-1913" by **Jari Eloranta** (Warwick). Eloranta's research topic asks what role hegemonic struggle played in military demand and who the "villains" were in WWI. Similar to public goods analysis, Eloranta wanted to explore whether the military spending behavior could be explained in terms of the impact of the decline of British leadership and the military absence of the new economic giant, the United States. He determines that the demand for military spending during the period of WWI was indeed driven by the lack of British and American leadership, thereby undermining international stability.

In the vivid and broad discussion that followed, many questions were raised, equally distributed between econometric technique and the story. Fishback, Ran Abramatzysk (Northwestern), Gerhard Kling (Tuebingen, Germany), and Steffano Battilossi (Universidad Carlos III de Madrid) asked for more technical points, like problems of multicollinearity, stationarity of time series, and inclusion of a variable for geographic proximity. Ritschl, John Wallis (Maryland), Tim Bakker (Essex), Joerg Baten (Tuebingen, Germany), and Craig looked at the story of the paper, raising questions concerning reasons for the underperformance in military spending by the US, an earlier start of the examined period (civil war), and an index expressing the quality and technology of military goods for each country.

**Carsten Burhop** (Muenster) tried to change our view regarding the development of net national product and business cycles in Germany in "A Compromise Estimate of Net National Product and the Business Cycle in Germany 1851-1913." If his estimates are correct, we should reconsider whether the founder crisis in Germany really affected economic development. His research contributes to the discussion regarding the quality of former estimates provided by Hoffmann, among others. Ritschl encouraged him to proceed and stressed that his own research came to quite similar results. Baten and Markus Baltzer (Tuebingen, Germany) questioned whether the stream of newly founded companies during the "founder boom" could affect the results. Stephen Broadberry (Warwick) cautioned that combining different time series and thereafter talking about business cycles was not the most convincing of arguments. David Greasley (Edinburgh) asked which newly estimated time series would be the best to use.

**Concha Betran** and **Maria Pons** (both Universidad de Valencia, Spain) presented "Wage Inequality and Globalization: What Can We Learn from the Past?' They explore the evolution of wage inequality during periods of globalization and deglobalization and analyze the factors underlying its evolution in Old and New World countries (defined as labor abundant and labor scarce countries, respectively). The discussion was a lively one. Mitch wanted them to use some formal model to infer causality in their paper. Williamson was concerned about the comparability of the data among countries, since they were collected using different standards and in some cases wages were being compared to earnings. O'Rourke pointed out that besides supply and demand market forces, there was a political landscape to take into account and that government intervention should be considered in the analysis.

**Debin Ma** (GRIPS/FASID Joint Graduate Program) talked about "International Comparison in Historical Perspective: Reconstructing the 1934-36 Benchmark Purchasing Power Party for Japan, Korea and Taiwan." The research was conducted with **Kyoji Fukao** (Hitotsubashi University) and **Tangjun Yuan**. They attempt to create a more reliable, historical national income series for Japan, Korea, and Taiwan during the period 1911-1938 by reconstructing price levels in all three countries. According to the authors, price levels in Korea and Taiwan were substantially lower than Japan, at 86% and 84% if all goods and services are included. Those levels drop to 71% and 78% for non-tradable goods alone. These new findings contrast with historical statistics computed by Angus Maddison for the three Asian countries. The most important difference is that in their estimates the authors place Taiwanese per capita income substantially above Korea's, while Maddison's data shows the opposite.

Broadberry was concerned about the scale of difference between the two estimates. He said that the application of a purchasing power parity adjustment to a constructed nominal GDP figure might be dangerous because the GDP figure was based on an implied price series. Bishnupriya Gupta (University of Warwick) pointed out that part of the problem might have to do with the construction of the consumption basket where real estate and non-tradables have a larger impact. Leandro Prados de la Escosura (Universidad Carlos III de Madrid and Georgetown) commented that the problem might have to do with the fact that technological change was not taken into consideration and with the erroneous assumption that consumption structure did not change over time.

**Susan Carter** (UC-Riverside) and **Richard Sutch** wondered "Why Not in Australia? Immigration and Economic Growth in the Age of Mass Migration." They seek to understand why immigration rates in Australia were much lower than in the US. They show that the traditional explanations (high costs of transportation and land, immigration policy, and the "absorptive capacity" of the Australian economy) don't provide a satisfactory answer to the question. They feel the key to the puzzle is that Australia joined the "club" of settler economies too late to capture its full potential.

The discussion began with considerations about the differences in the skill capacities of the migrants in the US (lower) and in Australia (higher). This gap would have favored Australia. Besides, the purpose of immigrants was different: people came to settle Australia, whereas the migrants to the US planned to return to their home country with accumulated wealth. Other differences were underlined by the participants, including transportation costs and the size of the arable areas. Indeed, the expanding markets in the 19th century were central to the American experience. The authors think that what is really important is the timing in the immigration course: the differences of situation at the beginning of the 19th century were more significant than the other factors (agriculture, for instance, was not an important activity for immigrants in either Australia or the US).

**Markus Baltzer** and **Gerhard Kling** weighed in with "Resiliency of the Pre-World War I German Stock Exchange: Evidence from a Panel Vector Autoregression." They developed a panel-

*Mr. Relaxation — Paul Rhode.*

based VAR model to assess the resiliency of share prices and dividends triggered by macroeconomic shocks during the period 1870-1913. They then constructed a representative sample of 35 blue chip companies on the pre-World-War I German stock market. Using ARIMA models, they find that inflation and growth rates were hardly predictable. Baltzer and Kling find that an unexpected increase in inflation by one percentage point triggered a severe decline in real share prices of between 6.04% and 7.95%. Thus, the real valuation of companies is lower in periods with increasing inflation, which supports the inflation illusion hypothesis for this period. One hot topic of discussion led by Les Oxley (Canterbury, New Zealand) and Ritschl was the question of predictability of inflation rates. Ritschl proposed a reconfirmation of the presented results of unexpected inflation rates by other indices, such as the Jacobs and Richter wholesale index, the British wholesale index, or an index of steel production. Burhop asked for the inflation perception of contemporaries. A sense of devaluation can be clearly observed, especially in the early 1870s during the currency change from the silver to the gold standard. Greasley wanted to know more about the sample construction and its representativeness.

After a break for lunch, **Andrew Seltzer** (Royal Holloway) got the sessions rolling once again with "Takeovers and Implicit Contracts during the First Great Merger Wave: Evidence from the Australian Banking Industry." Seltzer considers whether the merger of the Union Bank of Australia and the Bank of South Australia in 1892 illustrates an example of takeover with revocation of firm-specific implicit contracts. Drawing on the employment records of the UBA and BSA, he claims that older workers from the BSA were systematically penalized with higher chances of layoff, flatter earnings profiles, and smaller pensions. Many of the participants asked questions about the relationship between the context and consequences of the merger. For instance, since the merger was generated by a banking crisis, could it be that those punished were the "screw-ups," or that they had been overcompensated before and were simply the proverbial fat of the merged firm that needed to be trimmed? Seltzer responded that a close reading of the surviving records suggests that for the majority of those who saw their implicit contracts broken, there seems to be no deviation from standard practices of behavior or pay. A final point raised was that the regional differences in the Australian economy could be generating some of the results as the UBA had no presence in South Australia before the merger. Seltzer conceded there might be some possibility for extension in this line of inquiry, but he noted that regional differences in wages and employment were much more pronounced outside the banking industry.

**Christopher Meissner** (Cambridge) and **J. Ernesto Lopez-Cordova** (Inter-American Development Bank) authored "Globalization and Democracy, 1870-2000," which was presented by Meissner. They argue that the frequently observed correlation between openness and democracy is in fact causation. Using openness as an explanatory variable for democracy poses the problem of endogeneity. They avoid this problem by constructing an instrumental variable for openness, which is based on estimations of bilateral trade using a gravity model. Alan Taylor (UC-Davis) asked whether trade was a sufficient indicator for globalization and whether it would not be better to call the paper "trade and democracy." Wallis wondered whether the instrumental variable might be correlated with other factors of economic success, such as institutional stability and regional effects. Meissner responded that, indeed, they had found some positive correlations for regions such as Europe. Williamson asserted that economic policy reform always comes in "patches" and trade liberalization usually coincides with domestic policy reform. The domestic factors might be more important for understanding democratization than opening to trade. Etkes proposed disaggregating the trade data. He would expect that trade in commodities might actually reduce democracy. Several discussants criticized the section on theoretical and anecdotal evidence for trade and democracy because of its "kitchen sink" approach. Mitchener expressed skepticism relating to the usefulness of the polity data and questioned whether the choice of the exchange rate system might have an impact on openness and democracy.

**Marco Sunder** provides new estimates of heights and the biological standard of living for the 19th century. He uses a data set containing passport data for native born Americans. Accordingly, the sample contains wealthier Americans, because the poorer part of the population did not apply for passports. He shows that there were height differences among social groups in the 19th century. Interestingly, he does not find a decline in height in the 1830s, rejecting the "antebellum puzzle" for wealthy Americans. Aravinda Guntupalli (Tuebingen) stressed that because the height in passports was self-reported, heaping problems were likely. She suggested discussing the heaping issue in the paper by focusing on regional and educational differences. Esteban Nicolini (Universidad de Carlos III) wondered if the number of rich people in the sample could have increased over time, and if so, how this was handled. Sunder responded that by including the application year, he could control for this effect.

**Stephen Broadberry** presented a paper written with **Douglas Irwin** (Dartmouth). In "Labor Productivity in the United States and the United Kingdom during the Nineteenth Century," they contribute to the current discussion on the productivity lead of the United States during the last half of the 19th century. In mid-century, labor productivity in agriculture and the service sector was approximately equal in both countries, while the US led in manufacturing labor productivity. However, by the end of the century, the US held a considerable advantage in the services sector. The discussion was turbulent and provoked several comments, the most notable of which was Prados de la Escosura, who characterized the paper as reminiscent of the "old Broadberry" view. Broadberry corrected him, noting that it was the "classical Broadberry" view, not the "old" one.

The final sessions of the day began with "Trends and Inequalities of Biological Welfare in North, West and East India, 1910-45" by **Joerg Baten** and **Aravinda Guntupalli**. By using anthropometric data from the All India Anthropometric Survey (AIAS), the authors discover that overall inequality in India declined during WWI and the influenza/famine period of 1918-20. With the growing openness of the 1920s, social differences increased, but later, during the Great Depression, inequality was once again reduced. Thus, the pessimistic trend of declining GDP per capita could not be confirmed with their height estimates, whereas the optimistic views based on urban real wages conformed better with the results. In the discussion, the authors reconfirmed the good quality of the data and that the measurement methods for this survey fulfilled high standards compared to other surveys. Michael Haines (Colgate) asked for mortality trends with a focus on infant mortality to confirm the results and proposed separate regressions to adjust for urban districts. Further adjustments could be made for ethnic group and occupation. Adolfo Meisel (Banco de la Republica, Colombia) referred to Colombia, where no evidence for a relation between openness of economy and height was found, and asked if openness of economy could be seen as a real indicator for increasing height. Mitch wanted to know if there was lower fertility in lower casts that could be traced back to cultural pressure.

**Aurora Gomez Galvarriato** (CIDE) and **Aldo Musacchio** (Stanford) entertained the crowds with "Organizational Choice in a French Civil Law Underdeveloped Economy: Partnerships, Corporations and the

*John Wallis presents the Can to Gavin Wright.*

Chartering of Business in Mexico, 1886-1910." Using a new data set of all companies registered in Mexico City, they demonstrate that civil law systems have been more flexible than their common law counterparts. Thus, they underline the emergence of the corporation as the dominant organizational form, even in a civil law country, because the corporate charter gave several advantages for the creation of new business, particularly in a developing country like Mexico. The debate focused on two primary topics: the juridical forms of the different kinds of firms and the nature of business in 19th-century Mexico.

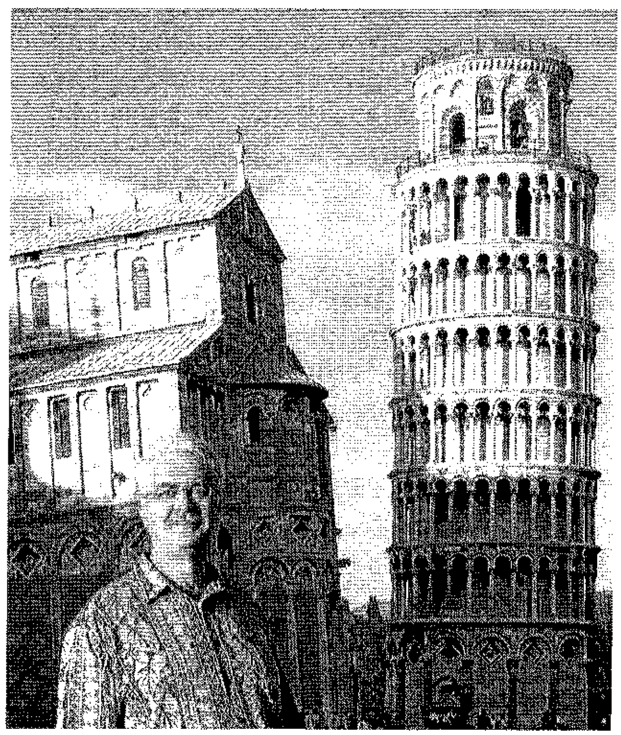
**Jeffrey Williamson** and **David Clingingsmit** (both Harvard) spoke on "Indian De-Industrialization under British Rule: New Ideas, New Evidence." Williamson presented the research, which is part of a larger project on de-industrialization at the periphery. They present new evidence for India during the period 1750-1900, when the hitherto dominant Indian textile industry first lost its export markets and subsequently its domestic market to British competition. They maintain that India's textile industry lost its competitiveness before the advent of industrialization in Britain during the late 17th and early 18th century because domestic factors increased the real cost of labor. Not until 1810 did globalization effects and competition with British textiles become important factors driving Indian de-industrialization. The discussion opened with questions about the reliability of aggregated data due to the large differences between provinces. Williamson clarified that they had used data from four northern provinces. Others argued that import shocks must have been more important than export shocks because exports never accounted for a large share of Indian production. Taylor wondered whether an investigation into regional differences and interregional trade might lead to important results. Steven Nafziger (Yale) asked whether population growth had been sufficiently taken into consideration. O'Rourke wanted to know whether the data could be used to construct GDP and output data for 18th-century India. Alex Field (Santa Clara University) was curious whether the case study of de-industrialization in India offered any insights about the reasons for de-industrialization in the postwar US.

Saturday morning dawned early for many participants after a late night of revelry at the feast, held in the banquet room on San Servilo. Numerous awards were bestowed upon well-deserving Clioms (see Tarheel Tattler's missive for more details). The highlight of the evening was the passing of The Can from John Wallis to Gavin Wright. As befits the crowd at a Clio World Congress, the celebrating lasted well into the evening.

**Javier Silvestre** got the day rolling with "Institutional Change and Industrial Accidents: Spain, 1900-1936." He analyzes the impact of the three main occupational safety institutions during Spanish industrialization. He states that public regulation was only effective when the inspection and penalization systems were strongly enforced and that the impact of economic incentives based on workers' compensation was weak. He also points out that Spanish unions had little participation in improving safety. The variables used in the regression were the focus of some discussion. Fishback suggested not interacting premium and wage in a variable, since this was a measure of accident risk itself and already gives an idea of the intensity of the laws applying to different industries. He wanted Silvestre to introduce the wage separately. The lack of availability of other data (such as union density data or the accident rates and the proportion of fatal and nonfatal accidents at industry level) prevents the further analysis suggested by the discussants. It was suggested that the author ought to explore regional differences in accident rates and their causes.

In "The North Atlantic Meat Trade and its Institutional Consequences, 1870-1913," **Knick Harley** explains that the development of the North Atlantic trade in live animals and chilled and frozen meat led to important institutional transformation, concentration in the meat industry, and vertical integration of shipping and meatpacking despite the absence of physical network economies in ocean shipping. The concentration was driven by joint production, asset specificity, and organizational network externalities. Trade in live animals and meat created excess capacity in regularly scheduled steam liners, which significantly reduced shipping costs for bulk cargo such as grain. Seltzer asked about the role of commodities, like coal and steel, in 19$^{th}$-century shipping and thought it might be useful to look at some shipping companies in more detail. Lewis inquired whether the simultaneous trade in live cattle, which gave higher value port-slaughtered meat and chilled but inferior meat, represented a knife-edge problem, where a small change in price or shipping rates might have eliminated trade in one of the two products. O'Rourke wanted to know whether the presence of oligopolies was really an important factor explaining the specific innovations and whether prices really reflected market power or were in fact competitive.

**Angelo Riva** (Orleans, France) presented "The Competition between Genoa and Milan Stock Exchanges before 1914: A View from Industrial Economics." Riva concentrates on the debate concerning the evolution of financial systems and the competition between different stock exchanges. Analyzing the Italian case before 1914, Riva named the competition for liquidity as a key issue for the competition between Genoa and Milan. From 1890 to 1906, Genoa was the leading stock exchange; however, it declined in importance in the following years. Milan was not able to close the gap, thus, neither had a clear leading position. Whereas the crisis of 1907 sanctioned the Genoa stock exchange, stability did not allow Milan to centralize Italian liquidity. The discussants looked for reasons for this change in importance. Giovanni Federico (Firenze,



*Richard Sutch straightens out the Leaning Tower of Pisa.*

Italy) proposed a closer look at the strategy of each Chamber of Commerce. Battilossi pointed out that he missed the historical context of this change. He argued that the deeper topic of this study might be an analysis of a new and an old financial place. While the traditional heavy industry was located in Genoa, Milan was the place for new technological industries, including banks and the electrical industry. Marc Weidenmeier (Claremont McKenna) wanted to know more about the competition for listings in both places and wondered if bid-ask spreads were available.

**Kentaro Saito**, **Ken'ichi Tomobe**, and **Tsutomu Hirayama** (all Keio University, Japan) addressed "Market Integration and Standards of Living in Modern Japan: 1899-1939." The authors discuss labor market integration in modern Japan during industrialization. They look at wages of two types of skilled workers: carpenters, who belong to a traditional sector, and engineers, who represent the modern sector. After testing for co-integration of the different regional series, they document the degree of integration and perform Granger causality tests. Although engineers' wages were not fully integrated and carpenters' wage integration decreased after the 1920s, the former rose until they finally overtook the latter. During the discussion, some issues were raised on the nature of the data. The most serious concern was the increasing volatility of wages from around 1920 and whether this stemmed from the way data were collected. The authors, however, pointed to the importance of the Great Earthquake of 1923 in destabilizing wages. Further, it was suggested that due to falling wages, the Depression might not be a good period for comparison. Finally, the authors were asked to provide more information on the institutional settings affecting the labor markets they were studying.

**Louis Cain** and **David Haddock** (both Northwestern University) shed light on "Those Peculiar Sports Leagues: An Economic History of Transatlantic Contracts." They explain why the professional leagues did not follow the same path in Europe and North America. Taking examples of professional football in England and baseball in the US, the authors show that the differences in market size and travel costs are the main determinant of the transatlantic contrast, with each league facing a quality-cost tradeoff. Consequently, while a quality-stratified league with permeable borders emerged in England, the United States opted for exclusionary practices to prevent deterioration of game quality. One important point of the discussion was the efficiency of both systems. The early professionalization of sports in the US was influenced to a larger degree by the greater distances between cities than in England. Another difference is that in America the players are filtered between leagues, whereas in England it is the teams that move between leagues. The two models were also compared to the debate between free trade and protectionism.

**Alan Taylor** talked about "Collateral Damage: The Economic Impact of War," written with **Reuven Glick** (Federal Reserve Bank of San Francisco). Noting the lack of consensus on the economic impact of war in general, the authors focus their attention on one highly neglected aspect of any such calculation: the effects of warfare on international trade. Employing all available data on world trade flows and the outbreak of interstate conflict, they go on to estimate a gravity model of trade from which the trade-diverting impact of war is imputed. Warfare is found to have had large and persistent effects on trade flows for belligerent, allied, and even neutral countries. Many of the participants felt there was a black-box flavor to the paper in that the mechanism of warfare on trade had not been fully specified. Taylor countered that, for the moment, economists and historians alike need a better grasp on the numbers involved before venturing in the direction of model building. O'Rourke felt that the case for trade-diverting effects on neutral countries was overstated in the panel exercise as history points to clear examples of them experiencing trade booms in the face of external conflict. He noted that something as simple as an interaction term between neutrality and distance might capture this effect. Finally, participants wondered if there was any role for expectations and changes in preferences in shaping the direction and dimensions of trade between belligerents.

**Stefano Battilossi** looks at the interrelation between the persistence of repressed financial regimes in Western Europe in the latter half of the 20th century and the so-called public finance hypothesis. In "The Political Economy of Financial Repression in Europe, 1950-91: A Public Finance Story?" he hypothesizes that regulation of the banking system and financial markets could be regarded as an implicit taxation of domestic investors. His most interesting contribution is the construction of an index of financial repression for Western Europe. Generally, financial repression persisted during the postwar period. In several panel regressions, Battilossi determines that the efficiency of the tax system, inflation, debts, and the dependency of the central bank affected the degree of financial repression. In the discussion, Burhop stressed that the regression models could be improved by using dynamic panel techniques, and Kling recommended applying a Helmert's transformation in the case of a dynamic panel estimation to control for country effects. Prados de la Escosura suggested comparing the constructed index with measures of economic freedom.

**David Khoudour-Casteras** (Institut d'Etudes Politiques de Paris) opened the final session of the day by looking at "International Migration and Exchange Rate Regimes: A Comparison between the Classical and Interwar Gold Standards." Drawing from the optimum currency literature, Khoudour-Casteras says that previous studies seeking to explain the divergent performance of the gold standard before and after World War I have neglected an important adjustment mechanism, namely international migration. By linking data on migration to the gold standard, he argues that the end of international labor mobility in the 1920s helps explain the demise of the interwar gold standard. Keeling asked whether the econometric model matched reality in that the decision-making process of firms and workers seemed to be made on the basis of expectations for coming months. Khoudour-Casteras replied that adherence to standard practice in the literature and data limitations necessitated the use of annual GDP series. Many participants felt that the composition and number of sample countries might be insufficient to claim a role for immigration in the success of the prewar gold standard. Furthermore, Meissner pointed out that the use of only US immigration data might lead to sample selection bias as most of the flexible countries (Italy, Portugal, and Spain) were known for sending the majority of their emigrants to South America. Khoudour-Casteras thought that the same results were generated when the sample was parsed to include only Denmark, Norway, Sweden, and the United States on the one hand and Italy, Spain, and Argentina on the other.

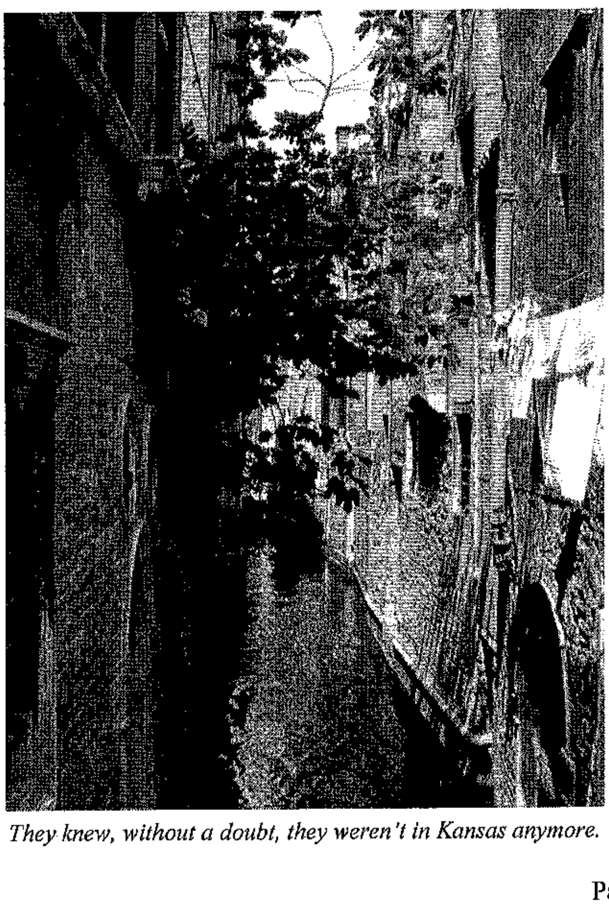
**Leandro Prados de la Escosura** and **Isabel Sanz-Villarroya** (Universidad de Zaragoza) used a tag team approach to present "Property Rights and Economic Backwardness in Argentina: A Historical

Perspective." They employ a measure of contract intensive money (CIM), defined as the percentage of deposits in the money supply (M2), as a measure for the respect of property rights in Argentina during the period 1864 to 1989. They believe that Argentina's decline relative to Canada and Australia starting in the early 1940s coincides with a sharp drop in the value of CIM in Argentina relative to the other two countries. The main culprit for Argentina's lackluster performance should therefore be attributed to a lack of respect for property rights. Broadberry wondered which set of data they were using, since the Angus Maddison data showed sharper convergence between these countries in the late 19th century. He also speculated on whether the sharp turns of the CIM could really reflect institutional change, generally understood to be a slow process. Taylor suggested retitling the paper "CIM and Economic Growth" because he did not agree that CIM fully reflected the respect for property rights but rather financial crises, financial repression, and dollarization. Williamson observed that the most interesting feature of the CIM data was its great instability. He thought that domestic and external instability might in fact be the main problem in postwar Argentina. James Roumasset (University of Hawaii) pointed out that there might be a problem of endogeneity of institutional change.

**Pierre-Cyrille Hautcoeur** (Pantheon-Sorbonne) presented "The Development of the Paris Bourse in the Interwar Period – What Old and New Stock Indices Tell Us," which he wrote with **Muriel Petit-Konczyk** (Lille, France). They focus on French indices during the interwar period and discuss why stock market indices were useful instruments of both long-term growth measure and of international comparisons. After presenting indices that were created previous to macroeconomic studies, they constructed a new blue chip index, which should be more comparable to foreign and contemporary ones and which helps to understand the limitations of previous indices. This new index is based on a recent database on the French Bourse during the interwar period, including monthly prices, earnings, splits and other capital operations, issues, and, most importantly, a measure of liquidity for every listed share. A comparison with the Dow Jones index indicates that differences between the two markets were much smaller than previously thought. Peter Wardley (West of England) asked how they dealt with companies listed on the Paris Bourse that had mainly foreign ownership, for example, railway companies and the Suez Canal companies. The authors had already reconstructed the index according to this proposition but did not find much difference.

**Esteban Nicolini** and **Fernando Ramos** (Harvard) led off the final day of the conference with "An Estimation of the Money Demand for Preindustrial Economies: The Use of Probate Inventories and the Case of Spain in the 18th Century." Using probate inventories of Palencia between 1750 and 1840, the authors built a new data set to estimate a cross-sectional money demand for this preindustrial economy (wealth and urbanization are the independent variables). The authors underline the methodological contribution of the paper: the use of the information provided by inventories to estimate a money demand, which can eventually be applied to many other cases. They find that the income elasticity of money demand is around one. Therefore, it is reasonable to use the Fisher equation to explore the interaction between price levels, money stock, and scale variables. Concerning urbanization, they state that people in rural areas have less money holdings than urban dwellers but they concentrate their money demand on cash rather than claims of future payments. The discussion revolved primarily around criticism of the sources, since only the richest people bequeath, and a possible explanation of the concentration of cash holdings by the rural populace.

**Max-Stephen Schulze**, **Philipp Epstein,** and **Peter Howlet** (all LSE) reported on "Trade, Convergence and Globalization: The Dynamics of the International Income Distribution, 1950-1998." They try to break with the traditional literature on convergence, which tends to characterize it as a unimodal process, and instead examine whether the interaction among economies trading with one another affected the dynamics of the international income distribution. They focus on two distinct chronological periods – 1950-1973 (Golden Age) and after 1973 (post-Golden Age) – and use information on



*They knew, without a doubt, they weren't in Kansas anymore.*

who trades with whom, rather than trade openness. According to the authors, the first period was characterized by a widening in income gaps between the poorest and the richest countries, while the effects of trade on the distribution are not significant for the second period. They wonder if the established trade patterns favor the growth of the rich at the expense of the poor.

The discussion focused primarily on the method used by the authors, who had to cope with the problem of defining openness. The framework used was one of distribution dynamics. They had recourse to cross sections over time and frequency distribution estimates. The impact of trade has to be considered over a long period of time in order to better see the impact on income distribution. It is income distribution between countries, not within countries, that is important. The set of interpretations was also discussed. The conclusion that trade has not been good for everyone and that it has essentially benefited the rich poses a problem in terms of economic policy. It seems that it is not really a problem of catch-up but a trend toward convergence that may be the issue. Finally, some possible extensions of the analysis were examined, such as geographical proximity, agreements between countries, mechanisms of technological transfers, and the possibility of introducing other variables, such as education rates.

**Natalia Mora-Sitja** (Oxford) looked at "Exploring Changes in Earnings Inequality: Barcelona, 1856-1905." She contributes to the debate on inequality with her analysis of earning inequalities amongst manual workers. Her two main contributions are the introduction of women into the study and the impact of each sector, in particular textiles, in driving pay differences. She concludes that female labor and earnings arising from piecework, increased migration, increasing skills, and new institutional settings all contributed to the shift in earning inequality in industrializing societies.

The participants underlined the valuable work of introducing women; women are generally forgotten in that kind of work, yet their exclusion minimizes inequalities. Participants also wondered if there were changes in the wealth holding of women. The discussion then turned to migration issues, such as whether the introduction of migration rates might be interesting, as well as the skill level of migrants. But there is a problem of information. It is important to note that many immigrants came from outside of Catalonia. In that sense, one main point may be the integration of Barcelona in the national market more than what happened in Barcelona. In addition, some methodological points were discussed, such as the lack of explanations from the skilled/ unskilled point of view and the absence of domestic servants in the sample. The study is not fully representative of the sectoral distribution in Barcelona but corresponds to the most valuable information on the period. In other respects, it seems that technological changes during the period might explain changes in the employment.

The conference was brought to a rousing finish by **Conor Healy** and **Klaus Veigel** (both Princeton University), who tie into the growing literature on the evolution of currency crises during the past century with their work "Bridging the Generational Divide: Currency Crisis in Theory and History." They present a probit analysis comparing the importance of various factors on the probability of the occurrence of a crisis during the late 19th and late 20th centuries. They conclude that the coincidence of banking and currency crises has decreased over time but still remains important today. In addition, budget imbalances are a more important factor explaining modern crises than historical ones, and the effects of increasing democratization on the occurrence of currency crises were negligible. The discussion centered on the selection of variables. Mitch asked whether there was any learning on the part of the Central Bank, economists, and the financial markets. Weidenmier wanted them to include real wage data to measure the impact of crises. Meissner questioned the selection of countries used for case studies in the first section of the paper and urged the authors to develop a bigger framework, which would include political science literature on currency crises.

As the echoes of the last discussion rang through the now hollow halls on San Servilo and the last congress attendees drifted off on their gondolas, many were already anticipating the next gathering of the Clio faithful. Clioms will reconvene at sessions at the ASSA meetings in Philadelphia in January, 2005. The next Clio Conference proper will be held June 3-5, 2005 in Lake Tahoe, California. For those entertaining more distant visions of the next World Congress, set your sights on bonny Scotland, where the next international gathering will convene in Edinburgh in July of 2008.

*Personal Reflections*

# In at the Beginning of British Cliometrics

By Roderick Floud

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Glasgow: Economic History Society, 2001.

The excitement of discovery. That is what economic history has meant to me ever since, as a teenager, I received as a school prize *The Wool-Pack*, by Cynthia Harnett,[1] a children's novel about the medieval wool trade. Under its stimulus I chose to study economic history at 'A' level and my fascination with the subject has never left me. The excitement comes in several guises: the discovery of records which have never been used by an historian; teasing out causes of people's behaviour; statistical analysis which reveals patterns which no-one had hitherto discerned.

It was the discovery of a group of historical records which led me into an early involvement with what was then the new movement of quantitative history. I had chosen to write a doctoral thesis on the history of the machine tool industry in Britain before 1914. I wrote to all the surviving engineering firms which had been founded in that period to ask whether they had retained any records. Greenwood and Batley of Leeds replied that they had indeed kept a large volume of records but that I should visit them quickly, as they were about to throw the records away. A hurried trip to Leeds revealed that the firm, founded in 1856, had kept its accounts, describing the production of each order for machinery, in large ledgers; when each ledger was full, it was put in the basement where, with its fellows, it had remained ever since, accompanied only by thousands of machine drawings.

The necessity for what would now be called 'rescue archaeology' led me to return to Leeds with a van, load some hundreds of ledgers into it and return with them to fill my room in Nuffield College, Oxford. I was then faced with the question of what to do next. Each dusty ledger contained several hundred pages; on each, inscribed in clear copperplate, were descriptions of orders for machine tools, steam engines, guns and other engineering goods, with careful accounts of the amount of metal used in their manufacture and the work done on each order by five different groups of workers. The task of making sense of them seemed insurmountable.

It was a stroke of luck, which in my experience plays an extremely important role in historical research, that Professor Lance Davis was then a visiting fellow at Nuffield. He came from Purdue University, Indiana, which in the early 1960s had become the centre for a new kind of economic history which rapidly became known as econometric history or cliometrics. Its hallmark was the alliance between economic theory, shaping the questions to be asked about a problem or a set of data, and statistics, analysing the data so as to answer the questions. Its new tool was the computer.

When I showed Lance my records and expressed bewilderment as to what I should do with them, his immediate answer was 'use a computer.' This was a revolutionary suggestion for an historian or indeed, at the time for any British social scientist, let alone someone in the humanities. It was 1965, when electronic computing was still in its infancy and when its use was confined mainly to physicists and chemists; historians, if they counted at all, were still using mechanical calculators. At Nuffield, however, some economists and econometricians had begun to see the potential of this new tool and I was encouraged by my supervisors, H.J. Habakkuk and Max Hartwell, to join them.

The decision thrust me into a world which was new at the time but which has already wholly disappeared. In the 1960s, there were no package programs for word processing or statistical analysis; spreadsheets were not thought of and there were no data-base programs. There were no hard disks. Data was recorded by means of holes punched in cards or on reels of paper tape. Programs had to be written by the researcher in a programming language, normally either Fortran or Algol, which had only just superseded the use of even more basic instructions known as machine code; learning them was like studying a foreign language. Programs were needed for the simplest of tasks, such as calculating averages, and they had to be exactly right. A single mistake in writing them or in punching them onto card or tape would lead to the rejection of the program; then followed a laborious process of cutting up paper tape and sticking the correct version together with sellotape. The real penalty, however, was the loss of 24 hours or more – known as the 'turn-round time' – before the corrected program could be submitted once more to the computer. Then, since the machine read the cards or tape sequentially, a mistake in the next line of code could start the whole process again.

A major constraint at the time was that the processing of alphabetic data was in its infancy. Essentially, data such as the information about the customers for Greenwood and Bailey's machine tools, or the place to which they were sent, had to be coded into predetermined categories, thus forcing the researcher to establish the outlines of analysis at a very early stage. It was difficult, if not impossible, to have second thoughts. This difficulty continued to haunt historians even when early programs for statistical analysis such as the Statistical Package for the Social Sciences (SPSS) first became available. SPSS would not, for example, sort data alphabetically, so that all alphabetic data had to be coded into numbers. In the late 1960s, I was still forced to write for myself an alphabetic sorting program – now available at the touch of a key in any word processor – to count and analyse the life-histories of engineering firms.

Computing was even physically difficult. It was necessary to carry heavy boxes of punched cards, or reels of paper tape, to and from the computer laboratory; disaster was to drop one's data, since cards could be damaged or tape turned into cats' cradles. The basic code for operating the computer was recorded on magnetic tape, then also in its infancy, but even here there were dangers. As a special privilege, I and other graduate students were allowed to operate the main Oxford university computer (the size of a large room but with less power than a modern PC) through the night, allowing us to escape from the tyranny of 'turn-round time.' One had to be especially careful to punch the buttons on the tape-decks in the right order and at the right time; if one got it wrong, 2400 ft of magnetic tape could unwind across the floor.

It is perhaps because of these experiences that I have never had much patience with philosophical discussions about quantitative history. To me, the computer is a tool, an inanimate and often irritating object which, with a great deal of difficulty, enables one to answer historical questions. It is the questions – whether British engineering was competitive with the United States, whether the standard of living declined in the Industrial Revolution – not the technology, which are important and exciting. So too are the statistical and theoretical tools which aid analysis. Quantitative history in its early days was particularly reliant on one method, counterfactual analysis, and one statistical technique, regression analysis, both borrowed from econometrics.

Counterfactual analysis, at least so called, had its first impact with the work of Robert Fogel on the economics of the introduction of railways into the United States. It was received with suspicion if not outright hostility. When Fogel presented his findings to a meeting of the British Economic History Society in 1966, he was roundly attacked by Professors Jack Fisher and Arthur John from the London School of Economics, two of the leaders of the economic history profession. Fogel was, they argued, introducing imaginary or at least wholly hypothetical history when he sought to establish the impact of railways on America by building an imaginary network of canals and estimating how much it would have cost to transport goods along them.

Regression analysis, now a staple of quantitative history as well as of many other social sciences, was similarly received with suspicion. Its claim to be able to sort out and establish the quantitative impact of a number of different factors on an economic event was indeed a substantial challenge to older forms of economic history, which had either been entirely descriptive or had made untestable assertions about cause and effect. Regression analysis, and the testing of statistical significance which normally accompanies it, does indeed require the researcher to make a number of strong assumptions about the data which is being analysed. It is right to criticise studies in which those assumptions cannot legitimately be made. But much of the early suspicion of regression was not based on these arguments, but on a general distaste for statistical analysis and economic models which were seen as too simplistic to sum up the complex realities of economic history.

Early suspicions were, it is true to say, sometimes fuelled by the tendency of early econometric historians to display the zeal of the missionary. Not only did we sometimes claim more for our new methods than, with the advantage of hindsight, we would now judge appropriate, but we also sometimes sought – deliberately or inadvertently – to blind our opponents with science. Econometrics is, as has often been said, more an art than a science and it should not, in either case, be expressed obscurely or with jargon. In my first book, *An Introduction to Quantitative Methods for Historians*,[2] I therefore sought to demystify the statistical techniques which historians were beginning to use in the 1970s. Then, with Don (now Deirdre) McCloskey, I began in the late 1970s to edit *The Economic History of Britain since 1700*,[3] with the explicit aim of making accessible the results of the first generation of works in the econometric history of Britain.

Such work is sometimes derided as 'only writing textbooks.' This ignores both the fact that all teachers and researchers should have a mission to explain, but also the sheer intellectual challenge of explaining complex matters in simple language. Textbooks are, for this reason, actually more difficult to write than research monographs, even if they do not produce the thrill which can come from completing an analysis of a complicated data set or discovering new evidence. I gained satisfaction from both analysis and discovery from my research into the engineering industry. The former came, for example, from establishing the patterns of entry and exit of firms into and out of the industry. Of the latter, I remember in particular the satisfaction of locating a minute book of the directors of Greenwood and Batley. So confidential that it was kept separate from the other records, it recorded secret meetings at the Grand Hotel in Leeds with other engineering firms as part of a cartel to fix prices on government arms contracts.

My early initiation into quantitative and econometric history was turned in an entirely new direction, in the late 1970s, by an invitation from Robert Fogel and Stanley Engerman to join them in an analysis of changing patterns of mortality in North America since the eighteenth century. As they realised, if one was to explain mortality in the American colonies and the United States, one had to be able to assess the health of the migrants, principally from Britain, who travelled to and died in the New World. The novelty of their approach was to make use of a source of evidence which had been used before only once, by Emmanuel Le Roy Ladurie, in a study of French conscripts. This was records of human height, collected in their millions as part of the process of recruitment to the British, American and European armies.

Fogel and Engerman's insight, followed up by a number of other scholars, created a new sub-discipline of economic history, anthropometric history. It was soon apparent that the measurement of the average height of groups in the population could act as a proxy for what human biologists call the 'nutritional status' of the group; human physical growth reflects the net effect of nutritional inputs in the form of food, warmth and even love, as compared with claims on those inputs in the form of body maintenance, work and the defeat of disease. The biologist's concept of nutritional status thus bears a close, if still disputed, resemblance to the economist's and economic historian's concept of the standard of living.

The excitement of the early years of econometric history stemmed from new techniques and new technology. Anthropometric history provided new challenges. There was, first, the need to understand, so far as possible for a non-specialist, the concepts, methods and findings of human biology; this was greatly helped by the enthusiasm of some biologists, notably James Tanner, for the historical research which gave background and a new dimension to their own work in the modern world. A second challenge was that of the need to collect very large amounts of evidence, principally from military records, to provide sufficient sample sizes for statistical analysis. A third challenge, in this connection, was provided by the fact that most armies refused to recruit the shorter men who came forward, on the grounds that they would not be strong enough; this created a complex statistical problem of making inferences about the average height of a population from data where many observations were missing.

Luck once again played its part in the search for evidence. Professor Sarah Palmer happened to be showing a group of students around the archives of the National Maritime Museum in Greenwich. Pausing at random by a shelf, she took down from it a ledger recording the recruitment to the merchant and Royal navies of boys from the streets of London, charitable work by the Marine

Society of London beginning in the middle of the eighteenth century. Noting that the ledger included information on the heights of recruits, she recalled my interest in height and told me of the discovery. There proved to be over 100,000 teenage recruits whose heights, addresses and parental occupations were recorded. This gave an unrivalled set of evidence on the heights and nutritional status of the London working class. Matched to the records of the Royal Military Academy at Sandhurst, the evidence provided an entirely new insight into the inequalities of nineteenth-century society; all the Sandhurst recruits, the sons of the aristocracy and middle class, were taller at the ages of 14 to 17 than any of the boys from the London slums.

Evidence on population height, and sometimes weight and body mass, has now been collected for over 20 countries at different time periods and, for example in the work of Richard Steckel, is now being supplemented by analysis of skeletal remains for periods before the advent of written records. Anthropometric history has, like quantitative history, generated argument both among researchers in the field and between them and other economic historians who, at least initially, reacted with incredulity to the idea that heights could be of any use as an historical source. Particularly controversial was the claim, advanced for example in *Height, Health and History: Nutritional Status in the United Kingdom 1750-1980,* [4] which I wrote with Kenneth Wachter and Annabel Gregory, that the new material was relevant to the long-standing historical argument known as the 'standard of living debate.' Whatever the outcome of these controversies, it has been exciting to be part of them.

As this essay in intellectual autobiography has shown, I have been, and continue to be, fascinated by economic history. I do not wish to make any particular claims for it as providing particular insight into human history and behaviour. Other forms of history, and other social sciences, have at least equal claim to such status. I have found it, however, endlessly exciting and challenging; it combines the thrill of the chase – described so much more vividly than I can in A.S. Byatt's novel *Possession*[5] – with the intellectual challenges of economic theory and statistical analysis, the complexity of human biology and the puzzles which underlie the transformation of our world during and since the Industrial Revolution. I feel privileged to have been part of this endeavour.

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[1] Harnett, C. *The Wool-Pack* (London, 1951).

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[4] Floud, R., Wachter, K and Gregory, A. *Height, Health and History: Nutritional Status in the United Kingdom, 1750-1980* (Cambridge, 1990).

[5] Byatt, A.S. *Possession: a Romance* (London, 1990).

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# Economic History Essay — George Rogers Taylor

The following interview was conducted by Hugh G. J. Aitken, the successor to George Rogers Taylor as the economic historian at Amherst College. As you will read, Taylor was not a fan of cliometrics. This interview provides an early example of another view of the direction that economic history should take, except that this view is not being proffered in the current environment. Rather, this interview took place in 1972.

Taylor was an economist at Amherst College for most of his career, serving on the War Production Board during World War II and holding visiting positions at various times at Mount Holyoke, Smith College, Columbia, and Tokyo University, as well as the Universities of Delaware and Hawaii. He also served as the editor of the *JEH* (1955-60) and the president of the EHA (1962-64). After retiring from Amherst, he was the senior resident scholar at the Hagley Library (1965-70). He died April 11, 1983 at the age of 87.

Aitken succeeded Taylor at Amherst in 1965 after ten years on the faculty at UC-Riverside. Prior to that, he was a research fellow at the Entrepreneurial Research Center at Harvard. Aitken retired from teaching in 1993, having established a reputation as a leading scholar in the history of technology. He came to that interest through his hobby of amateur radio operation. Ultimately, he would be awarded several prizes and honors for his research, including the Leonardo da Vinci Medal, given to him in 1987 by the Society for the History of Technology. He twice won their Dexter Prize for his books, *Syntony and Spark: The Origins of Radio* (1976) and *The Continuous Wave: Technology and American Radio, 1900-1935* (1985). He edited the *EEH* from 1964-69. Aitken earned M.A.s in economics from St. Andrews University and the University of Toronto and his Ph.D. in economics from Harvard in 1951. During his career, he served stints on the Council on Research in Economic History, the National Science Foundation, the Guggenheim Foundation, and the National Endowment for the Humanities. During World War II, he served in the Royal Air Force. He was born in England in 1922 and died in Massachusetts on April 14, 1994.

This interview was taped during a conversation on October 16, 1973 at Amherst College. It was later transcribed for the Council on Research in Economic History.

**Your undergraduate degree at Chicago was a Ph. B.?**

Yes. They used to give that instead of an A. B. if one had taken more work in History and Philosophy. It was a curious degree and is the equivalent of an A.B. I actually did my first two years of undergraduate work at the normal school at Oshkosh, Wisconsin and then went to the University of Chicago for the rest of my undergraduate work and most of my graduate work.

**Then you went to the University of Iowa?**

I was there for a year. I had a course with Frank Knight my first year as an undergraduate at Chicago, and, at the end of that course, he asked me to go to Iowa with him as an instructor.

**He was in Chicago at the time?**

He was teaching summer school at Chicago. That's how I happened to go to Iowa for a year beginning in the fall of 1921.

**And then you came to Amherst College in 1924?**

Yes, with Paul Douglas. I got married that summer and came here the next fall with Paul. He only stayed for a little more than a year, and then he went back.

**He came with you at the same time?**

Well, he talked to me after a seminar in June of 1924 and said he was going to be teaching at Amherst and needed an instructor and would I go along with him. I told him I'd let him know the next day, because I was having dinner that evening with Helen Homan, who was a graduate student at the University of Chicago. At the dinner was the President of Amherst College, Meiklejohn, who had just been fired. I was not willing to go until I asked Meiklejohn what he thought about it, whether he thought I'd be a strikebreaker if I were to go, because a lot of people had resigned, you know. I had a very interesting conversation with Meiklejohn, and he said to me, "Young man, go to Amherst; it will be a great school again."

**That's interesting. He himself felt no bitterness?**

Well, there was a good deal of rancor and bitterness in a way, and yet I felt this was quite fine of him.

**You worked for the USDA in 1938; what was the occasion that took you to Washington?**

They wanted someone to do a study on barriers to interstate trade in agricultural products and someone recommended me. I've forgotten who it was, but I went down there with Frederick B. Wall and I did a study for them on that subject, which was published.

**You just took one year's leave from the College? And then you returned to Washington in 1941?**

Yes, that was during the War. I did some work for OPA and the War Production Board.

**What was the title of your Chicago doctoral dissertation?**

*Agrarian Discontent in the Mississippi Valley Preceding the War of 1812.* It was written under Chester Wright but influenced more by Frank Knight. I found my own thesis topic and wrote it while I was at Amherst, with no particular help from Wright. He did accept it. This is really no criticism of him; I really didn't give him a chance. I knew what I was going to do, and I went ahead and did it.

**Was it ever published?**

No, not in full. A couple of articles were published out of it, and an article, which is the gist of the thesis, has been republished in quite a few books.

**I'm sure there are many professors who wish every graduate student could complete their dissertation the way you did. Did you find Amherst a convenient place to write on that subject?**

Well, not too bad. I did a good deal of my research at the American Antiquarian Society in Worcester, where they have a remarkable collection of old newspapers. I was getting opinions on the Mississippi Valley, not only from old newspapers, but from old documents. But Amherst was very good on old documents too, because they have been a Federal Depository from almost the beginning. So the old records of Congress and the old documents are all here; at least they were at that time. Then I did some traveling. I worked throughout the valley in Tennessee, Kentucky, and New Orleans, reading old newspapers and documents. There's an interesting incident related to this. I think it was the third year I was at Amherst. I was talking with President Olds about my plans, and he asked me what I was going to do. I told him that I was going to be working in New Orleans on my thesis, and he said, "Well, you'll need some money then, won't you?" And I said, "Well, that wouldn't hurt anything." He said, "Well, the College will give you $200." Without being asked, you see. He just said the College would give me that. This doesn't happen very often.

**No, we're more formal these days. It's very nice when that kind of thing happens. It can make a lot of difference to a man at that stage of his career.**

Oh, yes, very encouraging. Two hundred dollars was a lot of money in those days.

**I was wondering about this interest in agrarian discontent, whether that in any way reflected your Wisconsin origins?**

Well, not really. Actually, I had had an earlier idea that I would write on financing the War of 1812, and, in reading about it, I became convinced that the attitude of the West toward the war was much affected by agrarian discontent. And, that led me into it.

**Would your later interest in the movement of prices reflect that?**

Well, yes. You see, one of the studies I did was on New Orleans prices. One of my chapters was based upon prices there, and they, of course, had a great deal of effect upon the war.

**I notice that later on you were much interested in long-term price series.**

Yes. That's how I got interested in prices. Once I studied agrarian discontent, I found it was a matter of prices, and then I had to know what the prices were.

**I've had much the same interest in the War of 1812 from the western point of view rather than the New England point of view, which was the maritime point of view. When you were writing it, did you think of yourself as an economic historian or as a plain, common, garden variety historian? Or did you identify yourself?**

Oh, no, I don't think so. I always liked economic history, but the reason I really got involved in it was during the second or third year I taught at Amherst College, when they wanted to know what I wanted to teach that wasn't already being given. And, I suggested economic history. That's really how I drifted into it as my real field. My real field before that was economics in general, with a special interest in economic theory, which I derived from Knight and Clark and Viner, I suppose.

**But your Ph.D. had been in economics. And when you came to Amherst, they hired you as an economist?**

That's right, in the Economics Department. I've always been in the Economics Department, although in those days in graduate work you used to take a minor, and I had a minor in Philosophy. It was a parallel interest of mine.

**Can you say when you began to think of yourself as an economic historian? At the same point? The second or third year at Amherst? Or, was that just something you wanted to teach?**

I think I still thought of myself as an economist for at least a couple of decades. Maybe after that I considered myself an economic historian. I taught courses in the History of Economic Thought, for example; it was a favorite of mine. It was an historical interest obviously.

**Now, was this unusual? I mean, among the students who were with you at Chicago, would it be usual or unusual to have an historical interest, to choose a historical topic for your doctoral dissertation, for instance?**

Well, rather unusual, I think. They were more interested in theory, and particularly monetary theory at that time, and Moulton was a great leader in that field. I didn't care much for him or his work. On the other hand, I wasn't much interested in theory. I roomed with Henry Simons, who was known for his work on the positive theory of laissez-faire. Both he and Knight became much more laissez-faire oriented than I did. Of course, Knight was quite different in his early days, as was Simons, although Simons was a real disciple of Knight, whereas I was an admirer but far from being a disciple.

**Among the other students at Chicago with you, were there any names other than those you have already mentioned that one would remember now? What about Harold Innis?**

He was not there then. There were a number of Canadians. Clifford Curtis taught in Ontario and was mayor of a city up there. He was in monetary theory. In addition, there were a few others, like Roland Thomas, who taught Money and Banking for many years at Purdue. It was curious that in the graduate school at the time (it was small) one was about as likely to know people in Political Science, Philosophy, and History as in Economics.

**That wouldn't be true now, I think. Students tend to cluster with their own kind.**

Yes, it was very small then. Arynes Joy, who became an important person in the Labor Department, was a student with me there, as well as Arnold Tolles, who later became head of one of the divisions of the Labor Department. But, there weren't many who became particularly well known. Colston Warne was there at about the same time I was, and I didn't even know him.

**Was it mainly your teaching interest at Amherst that led you into economic history?**

That's right. And also the fact that in 1932 I took on the job for the International Committee of Price History. Arthur Cole got me to do that, and I did the study of Charleston and New Orleans.

**And that was your doctoral work that had attracted Cole, perhaps?**

I don't know. But I hadn't actually published my thesis. The price study on my thesis was published the year I was at Harvard working for him, and I don't know how I had come to his attention.

**Well, he can't have been very much older than you?**

No, but Edwin Gay, you see, was the big shot there then. But it was Cole that I worked through, and Cole introduced me to Gay. I saw Gay once or twice, and he seemed a little interested in what I was doing.

**Apart from Gay, and Cole as Gay's junior at that time, were there any other big figures in economic history that you were conscious of?**

Not particularly at that time.

**So Amherst hired you as an economist. What did you teach when you first came?**

I taught courses in elementary economics and a political science course on comparative government, because they needed someone to do it. I'd never had a course in it, so Lindsay Rogers was supposed to come up from Columbia and teach it twice a week, and I was supposed to lecture once a week. But, Lindsay would come up more like once a week and I'd have to do it twice a week and sometimes he wouldn't come up at all. This really made me work, because I just had to take my lectures right out of the textbooks.

**Has that had any influence on your later thinking, that immersion in political theory?**

Well, I had some courses in politics before that and in philosophy and ethics. So that, I suppose, may have had something to do with my general interest across the fields.

**But after two or three years (which would make it 1926 or 1927), you did see an opportunity to offer work in economic history?**

Yes. In the meantime I taught other courses in the Economics Department on government and business. I taught almost everything you can think of at one place or another, once in a while teaching at Smith or Mount Holyoke. I taught a course in statistics at one of those places. I blush to remember it. And, also, Money and Banking.

**There was no question that if economic history were to be taught to undergraduates, it should be taught in an Economics Department at that time?**

Well, I think it was looked at somewhat askance by the History Department, but most of them were not very active or very able at the time. I remember there was an old man here who taught American History. He mostly talked about the Athletic Department or what was going on, and I asked him once if he ever taught any economic history. "Oh, yes," he said, "I always mention the cotton gin."

**I get the impression, then, that they didn't regard it as encroaching upon their territory.**

Not much. Although, I think over the years it was regarded as somewhat of an imposition on the History Department that this should be in Economics, but it never bothered me. No one ever said it to my face. It never bothered me at all. I wasn't included in History Department activities, and I didn't feel deprived.

**Well, as your successor here, I know what you mean. A remark has been made to me by a member of the History Department that "So far we have permitted economic history to remain in the Economics Department." So, I wondered what the historical background of that was. And, when you suggested this innovation, your**

**Economics Department colleagues raised no objection?**

Oh, no, they were in favor of it. They were glad to have me teach something that I wanted to. It was very informal. They asked what I wanted to teach, and I offered to teach the course, and it went through the faculty without any obvious objection.

**Let's dwell on this for a moment, because this was, I think, a professional turning point for you – your first commitment to economic history. So, apart from your doctoral dissertation (which had been in economic history and which betrays your early interest), could you identify what it was that made you decide that, given your choice of what to teach, this was what you'd rather do than anything?**

I really find it hard to say. At the normal school where I took my first two years of college, I had a very exceptional teacher by the name of Frederick R. Clow, who was one of those devoted Harvard Ph.D.s that went out into the sticks and spent his life teaching at a very poor rural college. He was a real scholar and taught economics, political science, and history. He wasn't such a wonderful teacher, but he was a devoted scholar who inspired anybody who studied with him. The rest of my teachers, most of them, were ordinary high school teachers, but I had had remarkable training in Wayland Academy, so I didn't miss much. The courses that were offered were inferior to those I'd had at the Academy, but I was much impressed by this man.

**It's a difficult question to insist upon. I doubt if many of us can really be very specific about what turned us to economic history as a specialty. You didn't feel that theoretical economics was too constraining for you?**

Well, yes. I had feelings about it in the respect that the theory seemed to become somewhat sterile and monetary theory never interested me. I was not interested in business subjects and was always interested in the social aspects of economics. I taught my courses, Government and Business, and my course in the History of Economic Thought (a good deal of which was also economic history), because I was always much interested in the degree to which the doctrines of the time that a man taught in were influenced by the economic problems of that time.

**Yes, but it was the institutional side of economics that interested you. Would that be a fair statement?**

The term "institutional" was not used at that time, and I have always had some negative reaction to the term because I've always felt that people were flying away from theory. Institutional economics, which doesn't depend upon measurement (as it didn't at that time at all practically), is so afraid of generalizing or trying to explain in general terms what interest me. And, I was interested in the old-fashioned kind of history too, in which one attempts to relate economic forces to political developments, which I still think we're going to come back to again. For awhile it was somewhat under a cloud, but I still think it's important.

**The German historical school was certainly repudiating classical economic theory, no question about that. And, a man in this country like Thorstein Veblen was certainly repudiating conventional theory. But you were not when you turned to economic history.**

No, I was not, and I was much interested in Veblen as a graduate student. He was the man that everybody read and talked about at

Chicago in the 1920s. I always found Veblen interesting and amusing but never very profound.

**But an economist like Wesley Mitchell, would that have been more of what you wished to explore?**

Well, to some extent, I suppose, although I was never influenced by Mitchell, and I don't know why. I had no feeling of rapport with him.

**Did you know him personally?**

Barely. I was acquainted with his work. His lectures, you know, were in mimeographed form, and all graduate students read them at the time when preparing for their doctor's degree. I didn't find them too exciting. I felt he was superficial, although I may be wrong.

**Did your early years in Wisconsin and your interest in agrarian discontent perhaps turn you toward populism or progressivism?**

My father was a supporter of Bob La Follette, and I was an enthusiastic young man who used to go to hear him speak. He'd speak forever, if you were willing to stay there, and he'd still be speaking at two o'clock in the morning. A great campaigner and a great fellow. I suppose that I come out of the populist tradition.

**Now let's get back to your early years at Amherst College for a moment. You were coming to an undergraduate institution. Were you ever attracted to the idea of graduate instruction? Did you ever have any regrets about not joining a graduate faculty?**

I don't remember feeling strongly about it. I taught at Iowa and at Earlham College while I was still at Chicago. I was teaching an elementary course most of the time in order to make my way. I did go down to Columbia and take Carter Goodrich's graduate course in about 1960 or so.

**You say you took it; you mean you taught it?**

I did teach it, and I found the students weren't as good as my seniors at Amherst. They were mostly foreigners, ill-prepared, and I really didn't enjoy it very much. Only one or two students out of something like 25 or 30 seemed very able. They certainly didn't have any background; not that the students at Amherst had much background either. I taught a graduate course at Hawaii in about 1961, and I enjoyed that, but, there again, those students weren't as able as my students at Amherst. I enjoyed teaching my seniors at Amherst more than I did the graduate students I had there, and the same was true at Tokyo, where I had graduate students for a semester.

**Some people would say that not teaching at a large university deprives you of the opportunity to establish your own school, your own stable of students. To some people this would be an important factor.**

I would hate to feel that I had established a school, because I think that's not the function of a teacher. Now I know that some fine teachers have established schools, but I think it's more important to stimulate a young mind to raise questions and to go off in their own direction than it is to get him to follow a particular line of thought.

**You've never felt the need for that kind of academic disciple?**

Only in this respect – in the method. I'm very much interested in a method of teaching which raises questions and forces students to make their own decisions. This was my original interest in American Studies. We developed our course, and we wrote the report on the new curriculum at Amherst College, of which my part pertained to the method.

**And the establishment of the Department of American Studies here at this college was one of the results?**

We had already done that in the 1930s on a very tentative basis. I think we had one course. But then, as a result of the new curriculum, we had a required course in American Studies. This was a series of problems that students were subject to, and we developed a procedure which we thought was very effective. They worked two weeks or more on a problem and then had to write a three-page paper in which they came to a reasoned conclusion or position. It took a long time to get them to write this kind of paper, because they were so used to writing papers in which they summarized what had been written before. We threw out papers that did that. We wanted them to come to a reasoned conclusion based on what they had heard and what they had read, and I still think this is good teaching.

**And Amherst was the pioneer, wasn't it?**

We were pioneers. This year-long course was required for, I guess, maybe 10 or 15 years.

**The series that was published by D.C. Heath, in which you were editor of the series, that was a kind of offshoot, wasn't it?**

Yes, it was. First, what we did was to have the problems mimeographed and then tried to get a publisher. I went down to New York and went down the line to publisher after publisher. The College Department would say, "This is great, we'd like to do it." Then, they would talk to their treasurer, and the treasurer would say, "Paperbacks won't sell. We can't have texts in paperbacks."

**Times have changed, haven't they?**

On, my! Have they ever! But I should say, in regard to this problem of method, that I did owe much to Chester Wright of Chicago. He gave a course on the trust problem, in which he required us to write a short analytical paper that he read very carefully and marked up. It was a graduate course, and we had to turn in a paper every two or three weeks. I felt that for me this method was right. And, I learned more out of that course than when he gave a course on the economic history of the United States, which was very dull. I was interested in history, so it was fine, but the course that he gave on trusts was a dandy, and I really took my technique from him.

**So the continuity between your early teaching responsibilities in economic history and your pioneering in American Studies was an interest in method and how you approach an historical study?**

Yes, I should say that I was also influenced to some extent by Clarence Ayres in this. He was one of those who resigned at Amherst along with Meiklejohn. He taught at Chicago in the summer of 1923, where I had him for a summer school course in philosophy. I enjoyed the course very much. I think he was a much better philosopher than an economist, but I found him very provocative. This was true of another philosopher, Mead, who was in the Philosophy Department. He had considerable influence on my thinking.

**Ayres had an influence on my research, too, particularly his interest in technological change.**

He only taught at Amherst for three or four years and then went to Texas.

**Has there been any European economic history taught at Amherst in your time?**

Well, not as such, except for Charlie Cole. When he came to Amherst, he taught an elementary course in economics, which was, to a large extent, a course on the history of European economic development and thought. Outside of that, I can't remember anybody who did. There was a fellow here by the name of Zagorin, who was for awhile a great left-wing historian. He taught straight Marxist interpretation and was a very provocative and interesting teacher, who went to teach at a Canadian university and came back to either Buffalo or Rochester. He's become somewhat right wing. His courses did emphasize an economic interpretation.

**I was wondering if we could talk a little bit about the changes that have occurred in the field of economic history. During the last 15 or 20 years, it is generally believed to have gone through a kind of revolution in methods and purposes, etc. Were there similar changes earlier, say between 1924 and 1946? Were you conscious of it as an evolving field of study?**

Well, I'm not sure there was much change. I know that I was increasingly disgusted with the economic histories that were the textbooks, which seemed to me piles of information without analysis. As they tend to be even today. I fall between two schools of thought; I don't care for the extreme theoretical interpretation. Rostow, for example. And, to a considerable extent, the kind of thing that North tries to do, where it seems to me he suits the facts to the theory. I am not satisfied with piling up facts. Of course, the great names, the people who wrote the texts and the people you knew about in economic history in the 1930's were pretty feeble. Bogart's history of economics, for example, which I think he did with a scissors mostly. Lippincott's history was better. It was pretty solid, but there again, it was not very analytical, with no attempts at interpreting that seemed to be very exciting.

**The same would be true of Chester Wright's, wouldn't it?**

Yes, it would be true of Wright.

**Your objection to these standard textbooks seems to me to fit in with your approach to teaching, doesn't it? You insisted upon a reasoned interpretation, and you found them lacking in this regard.**

Yes. Like much history, it was selective (unconsciously selective) of the facts that they were exhibiting. There are, after all, an awful lot of facts you can choose from, and unless you make some kind of attempt at interpretation or generalization, you still have to choose your facts. Most historians in the past, it seems to me, have chosen them, making value judgments without realizing it.

**You never felt inclined to write your own textbook without these defects that bother you?**

No, I can't say that I have. After my first few years at Amherst, I was awfully busy teaching, more busy than I really needed to be. I never really felt the urge to write a text.

**It seems to me, if I can just embroider on what you have said, that there wasn't very much forward movement in economic**

**history as an intellectual activity in those years.**

Oh no, very little. It was an exciting period because of what was happening in the New Deal and all. I was interested in that. I did some writing of a popular nature in the newspaper , and I did some speaking. I was interested in that. I did take part in writing a textbook about the latter New Deal, but it was a very poor one. Harold Faulkner was a friend of Hacker's (Louis Hacker), and Hacker and Modley were writing one of those texts with illustrated statistics. Hacker and Faulkner got me to do the statistics for the book, with the understanding that before it was published I'd at least have a chance to read it. I never did and it's a very poor book. They didn't even use the statistics well, in my opinion.

**During the period in which you were teaching US economic history here, during the 1930s and 1940s, who were the influential names that you think of as the intellectual or other leaders in the field of economic history?**

I think of the people whose writing may have influenced me at that time. Jacob Viner for one. I kept up with his writing in the journals. Paul Douglas. John Maurice Clark, very much. Clark was a teacher of mine at Chicago and influenced me to a considerable extent. He was a great thinker, although not an inspiring teacher unless you were a graduate student and interested in what he was saying. He was in some ways the ablest man, not as quick as Knight and Viner, but profound.

**In economic history, there was no one in particular?**

No, I can't think of anybody who particularly influenced me there. Well, of course, I was a good friend of Merle Curti and Harold Faulkner, but that was on a social basis and there wasn't a great deal of academic talk.

**You say you were never interested in preparing a textbook, but one of your books, at least, *The Transportation Revolution*, has almost acquired the status of a textbook, hasn't it?**

Yes, I suppose so, although it doesn't seem to me to be primarily a textbook. It was part of a series, and, actually, I was asked to do it because Harold Faulkner thought I'd be a good person. It was Faulkner who got me to do it.

**When did you start work on it?**

I started to work on it just before the War and then dropped it because I was connected with war work involving contemporary economics and analysis and that sort thing. It was well after the War had ended before I went back to it.

**Did the part of the book that deals with Jackson and Biddle and the Second Bank stem partly from your work in American Studies?**

Yes. When I gave my course in Economic History, it was primarily a problems course, and the American Studies course that was developed was originally made up largely of the problems I had already developed for my Economic History course.

**After that came out, you did a shorter book with Irene Neu on the transportation network, which was, I think, considering its size, a remarkable success.**

I enjoyed working on that very much and enjoyed working with Irene Neu. She was a very fine person to work with. She did her share, and I don't think I saw her more than three or four times and then only for a couple of hours.

**And, you did some things for the Smithsonian *Bulletin* on urban transportation, did you not?**

Yes. When I went down to the Hagley Museum to be Resident Scholar there, I had a couple of projects that I was anxious to work on. One was to complete a study of urban transportation in the early 19th century. This proved to be quite a job from the standpoint of research. It was very difficult to get the materials. The other project involved aspects of urban history, including the statistics of early cities. Those were the two chief jobs I did when I was there.

**Of all the things you've written or worked on, which was the most fun? Which makes you the most happy?**

Well, I suppose I got more fun out of *The Transportation Revolution*, because it was the biggest job I'd ever attacked and I found I could do it. When I got through with it, I felt I'd done a good job.

**How did you write it? Did you write it here at Amherst? Or elsewhere?**

I wrote it here in the summers and in the early mornings. I used to go in at six o'clock in those days, and I did most of my work in my office. I did a lot of computing for it, a lot of statistical work that appears in the appendix. I think I enjoyed that as much as anything that I have everdone, although I can't remember anything I've done, except that job with Hacker and Modley, that I didn't enjoy.

**It seems to me one of the more pleasant things about teaching at Amherst College is that the institution doesn't put much pressure on you to publish unless you wish to.**

Oh yes, it's been very pleasant in that respect. On the other hand, I was awfully encouraged. I remember Stanley King, with whom I didn't get along too well, was very encouraging about my *Transportation Revolution*, talking with me about it and so forth.

**So, although you were the only economic historian here, you nevertheless got support from your colleagues?**

I never felt isolated, somehow. I'd go to Harvard occasionally to see Arthur Cole and some of the other people there, and I got to be good friends with Cochran, so I never felt particularly isolated.

**You haven't talked about some of the people about whom I'd expected you to speak, like Edward Kirkland.**

I should have mentioned Kirkland. In fact, I had it in mind. However, although my association with other economic historians has been pleasant socially, it has meant very little to me intellectually. I have been antagonized by some, like North and some of his school, who are very able, but I find them very irritating.

**Do you feel the state of economic history today is healthy?**

I guess so. I think the extreme tendency toward mathematical models will pass. I have little sympathy with mathematical models which make such extreme assumptions that they become more or less meaningless to me. And, I think they're dangerous. For example, Fogel's work on the railroads. I've read his book quite carefully, and his assumptions are all there, most of them quite clearly made. But, people that use Fogel's work never mention them, and they come to all kinds of crazy conclusions that don't follow unless you have their assumptions. And, the assumptions are so wild that they just don't interest me. I think this is true of many of the extreme models. Now, I don't have any objection to people playing with them, and I think maybe they're nice chess games. I like chess and that's fine. And, maybe there are some peripheral advantages to some of the extreme ones. No doubt they're more valuable in certain areas, such as finance or international trade, but, for the most part, I look upon this new model with apprehension, because I think it's going to be used by people who don't understand it and who come to simple conclusions.

**Well, there's no substitute for intelligence! You feel this extreme phase has passed?**

I think its passing. I don't see how it can continue.

**One reason it's passing, perhaps, is the fact that the profession of economic history has held together through this period.**

That may well be. There are some of the people that use a good deal of mathematics and models that do it with intelligence and respect. This is fine. The past editor of the *Journal*, Gallman, is one of these. I think most of his stuff is good. He does use models and mathematics in a sensible way. And to some extent, this is true of David, although I think David goes pretty far. But it seems to me that Fogel reaches the limit.

**And, it was quite early in the movement, of course. I am struck by the fact that some of the most pointed criticism of the work of the new economic historians has come from themselves.**

Yes, to some extent they have, although not really from Fogel. I've argued with Fogel and got him to agree to many things, but then he goes right back. It doesn't seem to make any impression, but he's a nice fellow. I like him personally.

**This profession has been very full of nice fellows, I think you would agree.**

Oh, yes. but I think what's happened in economic history is also what has happened to some extent in economic theory. It's an excessive attention to highly abstract mathematical models that has led both into somewhat of a dead end. They've gone about as far as they can go in being very useful to us. I could be wrong about that. Particularly, I could be wrong about it in economic theory, because I haven't kept up with economic theory in the last 15 or 20 years.

**Well, I think there's a good deal of continuity in your thinking on these matters, from your earliest days at Chicago and when you came to Amherst to the present. It has, if I may say so, a humanist emphasis.**

I think so. Thank you for an interesting conversation. All conversations are interesting if one does most of the talking himself.

**Selected Books by George Rogers Taylor:**

*American Economic Growth before 1840: An Exploratory Essay.* Indianapolis, Indiana: Bobbs-Merrill, 1964.

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**Selected Volumes edited by George Rogers Taylor:**

*The Great Tariff Debate, 1820-1830.* Boston: D. C. Heath, 1953.

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**Selected Articles by George Rogers Taylor:**

"Agrarian Discontent in the Mississippi Valley Preceding the War of 1812," *The Journal of Political Economy* 39:4 (August 1931), 471-505.

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"Urban Growth Preceding the Railway Age," *The Journal of Economic History* 27:3 (September 1967), 309-339.

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## View from a Sinking City

By The Tarheel Tattler

Ah, beautiful Venice. The Clioms gathered here for the Fifth World Congress of Cliometrics, and the Congress generated many candidates for the Annual Clio Quote Award, which honors the quote that, uttered in the heat of battle, best captures the essence of Cliometrics – that is, it must be touched by the muse Clio, infused with Apollonian metric, and be universally profound. It must be the equal of the inaugural winner: "Never open a can of worms larger than the universe," as well as last year's winner: "Sometimes you can interpret sunspots as merely spots on the sun." After the very first session, it was clear to the Tattler that there were so many great candidates this year, that we would have to create a set of extraordinary awards for those who approached, but just did not quite reach, the pinnacle.

Our first candidate is the winner of the ***Harry Truman Award***. Harry Truman, of course, said: "The only thing new in the world is the history you don't know." Our Man About Warwick told the folks of Cliodom something none of them knew: "You get off the ship at Botany Bay, and then you're rich." This was a jaw-dropper, destined for the hallowed walls of the Clio Pantheon. Unfortunately for this entry's chances for the grand prize, there were several Aussies in attendance, and without exception they disputed the claim.

In history, stories get told over and over, (and thank goodness they do, or else a lot of us would have to be economists.) So it's natural some revisionism occurs now and then. But there's revisionism, and then there's the ***Grand Bull Moose of Revisionism,*** the award for which goes to a member of the Organizing Committee, who just happens to be from Berlin, and who told the Congress: "The British have been too nice to the Germans." A few participants gamely challenged the claim, but when they used *Mein Kampf* as a reference, things got out of hand. (A footnote: For the rest of this session, Our Man About Warwick was heard not so quietly humming "Rule Britannia.")

Because Clio and metric tend to intersect at the data, Климs take seriously questions revolving around data. ("Give us the data and we'll do the job" is an old Clio battle cry.) The winner of this year's ***Data are Special Award*** is that Crimson Man who now resides in the Big Valley of California, who said: "If a country disappears, then it's not in our sample." This divided the audience into those who were horrified and those who were relieved to learn this.

As usual, we had some candidates for the ***Too Much Metric, Not Enough Clio Award.*** But this year's winner was that wayward young Bear from Cal, who noted that: "Maybe my eyes are wrong; if so, then statistics will tell me otherwise." There were several distinguished editors at the Congress, and they all confirmed for the Tattler that this was a case where the double negative would have been useful.

This year we also had a ***Too Much Clio, Not Enough Metric Award***, which went to one of those really high-powered youngsters from one of those really high-powered Ph.D. programs (like, say, Yale). He observed that: "If my history is correct, there was some destruction in World War II." Apparently, they have high-powered history at his school too.

The next one just breaks the Tattler's heart. A former candidate on more that one occasion but never a winner, this year's ***Always a Bridesmaid Award*** goes to that one-time Can Holder from the North, who again this year was a bridesmaid with: "The later period came after the earlier one." Thank goodness the magi keep showing up at these meetings. Where would the youngsters be without insights like this?

*Future Nobel Laureates on parade.*

It's a time-honored seminar debating technique to answer a question with a question, and it was just such an exchange that earned the She-Fin from Iberia the ***How Much Oomph Award.*** One of those econometric types that the British Empire is so good at generating asked the Iberian Fin a question about the length of a business cycle in her paper. Confused, and using hand signals, she asked back: "Did you mean the long one? Or the long one?" To which he replied: "I meant the long one." The senior Cliom who once wrote this column under another name, and who happened to be sitting next to Tattler during this exchange, claimed that they were speaking a subliminal code, but I didn't catch it myself.

Before proceeding to our finalists, I share an aside. Despite the strongly held ethos of "academic freedom," there are some questions no one in Cliodom wants to hear asked, or answered. Exhibit A: In the session entitled "What is Something Worth?" a real Fin from Finland had the temerity to ask: "What is an economic historian worth?" No one would speak to her for the rest of the Congress, and I doubt if you'll be seeing her at any of the fashionable Clio parties this year.

And now our finalists; second runner-up goes to a truly universally profound observation from that legal eagle from George Mason. She testified that: "India is more complex than a dormitory full of young women." Now, the Tattler has never been to India, but since adolescence he has been intrigued by the complexities of a dormitory full of young women, and after hearing this he wants to go to India more than ever.

First runner-up, and as you'll see it needs no buildup, comes from Santa Clara Bill, who said, in that authoritative voice of those who received a high score on their econometric prelims: "Boys have larger tails at both ends." If only it were so, Bill, if only it were so.

I know, I know. It's hard to believe neither of those two is a winner. But the committee felt that the former lacked in metric, and the latter was just a bit shy on the Clio end of things. That leaves only our winner. Showing just the right combination of Clio, metric, and universally profound insight, that Grand Seigneur from Iberia observed all too accurately that: "People live at current prices, except in the past." Now that's one for the Clio Pantheon.

Well, that's all the news that's fit to print from Venice. You've been a great audience. Drive carefully, and I'll see you at Lake Tahoe.

# Report on the Second International Conference on Economics and Human Biology

By Aravinda Meera Guntupalli, University of Tuebingen, and
Marco Sunder, University of Munich

(Munich) Nearly 60 scholars assembled in Munich to attend the second interdisciplinary Conference on Economics and Human Biology from June 2-6, 2004. The first such conference took place in Tuebingen two years ago, while this year's host was the University of Munich. The German Research Foundation made both conferences possible by their generous financial support. The Siemens Foundation (at Nymphenburg castle) and the University of Munich were the conference venues. John Komlos (Munich) and Joerg Baten (Tuebingen) opened the conference by welcoming the participants to dinner. The interrelation between economics and human biology is gaining more and more attention, and, as many readers may already have noticed, there is now also a journal devoted to the topic, *Economics and Human Biology*, edited by John Komlos. The first speaker during the dinner was **Stanley Ulijaszek** (Oxford), who shared his views on anthropometric histories and futures. He emphasized the effect of policies on the health of children in eastern European countries as an example of "political economic anthropometry." Alok Bhargava (Houston) remarked that the way the pharmaceutical industry reacts to and benefits from obesity is also an important issue to consider.

The sessions were opened by **John Cawley** (Cornell). He uses the National Longitudinal Survey of Youth for the years 1981-2000 and finds that being overweight lowers wages for white females in the US. In contrast, he finds only weak evidence for this in the case of Hispanic females and no such evidence for black females. He also stresses that he has not found any evidence to prove weight was a factor in the probability of employment, sector of occupation, or employment disability for any race-gender group. **Patricia Smith** spoke next on the contribution of changes in the rate of time preference to the obesity epidemic, from her paper written with **Barry Bogin** (both Michigan- Dearborn) and **David Bishai** (Johns Hopkins). On the basis of cross sectional data taken from the National Longitudinal Survey of Youth panel ('79), they test the hypothesis that an increase in the marginal rate of time preference has, in addition to technological change, contributed to increasing obesity among children and adults in the United States. The results show that, in contrast to cross-country evidence, their measure of time preference and the body mass index (BMI) do not exhibit a correlation. Alok Bhargava remarked that the authors should define their concept of time preference more clearly. Virginia Vitzthum (Indiana) wondered about the direction of causality and could imagine that people who are susceptible to early mortality might also adjust their consumption pattern.

**Hans-Peter Kohler** (Pennsylvania) presented a paper on the effects of partnerships and children on subjective well-being. Using happiness data from a sample of Danish twins, he was able to control for unobserved heterogeneity that is not taken into account in many other studies. According to Kohler, having one child makes women quite happy, whereas more than one tends to reduce their happiness. Men seem to take much pleasure in a partnership and accept children as a concomitant phenomenon. They do, however, prefer a son as their firstborn and are less happy when stepchildren are involved. The role of children for happiness seems to vanish once the parents get older and the kids move out. Peter Ward (British Columbia) remarked that happiness may also decline with the duration of marriage.

In his work, **Kostas Mavromaras** (Aberdeen) compares OLS and IV regression coefficients on the effect of healthy eating (or dieting) on BMI. He finds that while OLS produces insignificant or even positive associations, the IV method (which tries to capture the causal relationship) comes up with significantly negative coefficients. Mavromaras believes this news needs to be taken into account not only by policy makers but also by men, whose propensity to be on a diet is much lower than that of females even though it's equally beneficial for them. Hans Peter Kohler and Fabian Lange (Chicago) were somewhat skeptical whether education is really a valid instrument for eating habits as it may have a direct effect on BMI as well. Childhood obesity on the Cook Islands, the home of a population with one of the highest obesity rates in the world, was the topic of **Stanley Ulijaszek's** second talk. He focuses on the role of grandparents and resource transfers from emigrant grandparents and documents a positive association between the presence of grandparents and overweight children.

**Alok Bhargava** started a session on India with "Health Infrastructure, Contraceptive Use and Infant Mortality in Uttar Pradesh, India." He stresses the importance of infrastructure in increasing contraceptive use and decreasing infant mortality. **Aravinda Guntupalli** spoke next on work conducted with **Alexander Moradi** (both Tuebingen), asking "What Does Gender Dimorphism in Stature Tell Us about Discrimination in Rural India?" They emphasize the use of height data for measuring gender discrimination. They find regional disparities in discrimination and argue that increases in infrastructure expenditure by states, decreases in the poverty level, and good monsoon rains all help to decrease gender discrimination in India.

The session entitled "Female Biology" was opened by **Levon Yepiskoposyan** (Yerevan State Medical University), who presented evidence on growth and maturation among Armenian girls measured in 1980 and again in 2000, suggesting that the age at which girls reach menarche has increased. Komlos felt this development may be related to the collapse of the Soviet Union rather than to emigration of more healthy genotypes out of Armenia. Next, **Michael Haines** (Colgate) asked "Can Breast-Feeding Help You in Later Life?" Using cross sectional data on breastfeeding prevalence, height of recruits, and mortality rates from German provinces at the beginning of the 20th century, he concludes that the spatial pattern in stature can be explained to some extent by differences in breast feeding. Kohler pointed out that more breastfeeding may actually be a proxy for longer birth spacing intervals, which could also make a difference for net-nutritional status in terms of less sibling rivalry at the table. **Peter Ward** (British Columbia) was the final speaker in this session with "Birth Weight and Social Capital: A Comparative Approach." He uses time series constructed from the birth weight and perinatal mortality records he collected from several European hospitals for the period 1880-1940 to test whether more social capital in a society produced better outcomes in terms of reproductive health. Following Putnam's approach, figures on membership in cooperatives and mutual aid societies and local voting results are used as proxies for social capital in the regions of interest. As the statistical analysis does not yield clear-cut results, he believes that reproductive

*Brian A'Hearn in a coffee break discussion with Peter Ward*

health was associated with material well-being rather than with social capital during the period under consideration.

**Katarina Vidmar** (Ljubljana) discussed "Physical Development of the High-School Girls of Gimnazija Lava, Celje, Slovenia, and Possible Differences between their Actual and Desired Body Image." She observes that girls with low weight are more satisfied with their body image than normal and overweight girls. **Fabian Lange** presented "The Impact of Chronic Disease Burden on Education, Fertility and Economic Growth – Evidence from the American South," written with **Hoyt Bleakley** (Chicago). They determine that decreases in hookworm infection around 1910 increased school enrollment in the American South. **Pavel Blaha** (Prague) talked about "Trend of Height of Czech Adult Population in the Last Century," a study based on parent height data. He claims that Czech males had a gain in height of 11.6 cm and that females' height increased by some 7.5 cm over the time period 1880-1980. **Gyula Gyenis** (Budapest) spoke on the "Relationship between the Stature and Some Ecological/ Environmental Factors in Hungarian Conscripts at the End of the 20th Century," written with Kalman Joubert (Central Statistical Office, Budapest). According to the authors, this relationship is statistically significant. **Barbara Hulanicka** (Polish Academy of Sciences) ended the session with "On the Risk Factors of Cardiovascular Diseases: A Longitudinal Study." She focuses on the role of early maturation at puberty that leads to obesity and early occurrence of coronary heart disease.

The 20th-century trend in Portuguese (male) physical stature was described by **Christina Padez** (Universidade de Coimbra, Portugal). She explains that while conscripts are now 9 cm taller than they were a hundred years ago, height still correlates with social status today. Spatially, regions with initially shorter inhabitants (with a minimum of about 160 cm in inland Portugal) experienced the strongest increase in average height. Most of this increase took place from the 1960s on due to improvements in nutrition, health, and infrastructure. Daniel Schwekendiek (Tuebingen) felt that contemporary Portuguese males at 172 cm are still not very tall by international comparison. The good news is that, unlike many other Western countries, Portugal does not suffer from the obesity pandemic. **Christina Mak** (Victoria University, Australia) concluded the session by considering moral philosophy and its application to health economics. She is interested in how an aging society could tackle such questions as how and to what extent drugs should be subsidized in the future.

**Steven Lehrers** (Queens University) poses the eternal question, "Raging Hormones in Puberty: Do They Affect Risky Behavior in Adolescence?" According to Lehrers, there is evidence that both testosterone levels and their growth rates during puberty are significantly associated with a variety of adolescent risky behaviors. **Alan Olmstead**

(UC-Davis) talked about "An Impossible Undertaking: The Eradication of Bovine Tuberculosis in the United States," written with **Paul Rhode** (North Carolina). Olmstead states that while the US was able to avoid thousands of deaths caused by bovine tuberculosis intervention, European nations failed to act aggressively, which resulted in thousands of needless deaths.

One of the sessions was devoted to the anthropometric history of Mexico, which is quite new terrain for height research. The three presentations by **Amilcar Challu** (Harvard), **Moramay Lopez-Alonso** (UC-San Diego), and **Augustin Grajales Porras** (University of Puebla, Mexico) provide evidence on Mexican male stature covering cohorts from 1760 to 1950. Challu has collected 4569 observations from different military units and performed truncated regression analysis. The general trend for birth years 1760-1840 was downward. However, it seemed to differ between regions, e.g. in Mexico City it was more or less flat. A difficulty of this study is that it was not perfectly clear for all military units in which measuring system they reported height. Both the Spanish and the Paris foot were popular measures at the time. Grajales Porras analyzed data from the 1791/92 census, which included height information for adult men exceeding five feet in stature. The existence of this kind of information in such an early census is quite remarkable and may be ascribed to the government's demand for relatively tall soldiers. Two municipalities in the Puebla region were included in the sample, and preliminary analysis of the data suggests that average male height was extremely low by modern standards. Lopez-Alonso focused on the later period up to 1950, using height data from rural militia units. She observes a decline in physical stature starting in the second half of the 19th century and the Diaz dictatorship – the time when industrialization took place in Mexico. However, heights of the lower class still did not increase even after the 1910 revolution. A positive trend can be observed only from the 1930s on. Altogether, this new evidence corroborates findings from her earlier work in which she used height data from regular military units and passport applications. **Virginia Vitzthum** (Indiana) also presented her paper in this session, although she had collected her sample on intra-day variation of testosterone and cortisol levels among male residents in the Bolivian mountains significantly south of Mexico. Among other things, her data indicate that the Bolivians experience less stress than the average US male.

**Malaisamy Muniyadi** (Indian Council of Medical Research) opened another session on India with his paper on the economic impact of tuberculosis on patients and their families in India. Muniyadi determines that more than two-thirds of the households incurred debts to cover the costs due to tuberculosis, and the average family debt was equivalent to 12% of annual household income. **Aravinda Guntupalli** and **Joerg Baten** continued with "Trends and Inequalities of Biological Welfare in North, West and East India, 1910-45." They state that overall inequality declined during WWI and the influenza/famine period of 1918-20. With the growing openness of the 1920s, social differences grew, but later inequality was reduced again during the Great Depression. **Ralph Shlomowitz** ended this session with his talk on "Teenage Births and Final Adult Height of Mothers in India, 1998-1999," written with **Lance Brennan** and **John McDonald** (all Flinders University). Their results show a negative relationship between final adult height of women and the number of births they had as teenagers.

There were two papers on Russia: **Elena Godina** (Moscow State) presented evidence on anthropometric measurements and their correlates in a contemporary sample of Moscow school children, while **Brian A'Hearn** (Franklin & Marshall College) and **Boris Mironov** (St. Petersburg State) explained their novel findings on the height of men in the Russian province of Saratov for the birth cohorts 1755-1892, based on data for some 19,000 conscripts. Their results indicate that height declined substantially during the second half of the 18th century (by 6.6 cm) and subsequently rose again throughout the 19th century, in particular after the abolishment of serfdom in 1861. By the end of the observation period, mean height was about a centimeter above the initial level. Improvements in income and the diet of the peasantry may have occurred because of better incentives and technological progress during the emancipation period in the second part of the 19th century. **Guido Heineck** (Austrian Institute for Family Studies) analyzes height, weight, and obesity in Germany on the basis of the German socioeconomic panel survey whose latest wave includes questions on height and weight. Using the adult sample, he says that the height disadvantage in the former communist eastern part of Germany has recently vanished and that mother's education correlates with height. In addition, a north-south gradient persists. Similar to Michael Haines' evidence for a century earlier, northern Germans are still taller than their southern compatriots.

**Andrew Hinde** and **Bernard Harris** (both University of Southampton) presented their paper, written with **Martin Gorsky** (University of Wolverhampton), on "Age, Sickness and Longevity in the Late-Nineteenth and Early-Twentieth Centuries: Evidence from the Hampshire Friendly Society." They find relatively little change in either the incidence or the duration of sickness claims between the ages of 20 and 55 among members of the Hampshire Friendly Society during this time period. **Jana Vignerova** spoke on a "Hundred Years of Follow-Up of Height and Body Weight of Czech Children," written with **Pavel Blaha** and **Marek Brabec** (all National Institute of Public Health, Czech Republic). They determine that the mean height of 12-year old boys increased between 1895 and 2001 by 17.3 cm and that of girls by 18.9 cm due to positive changes in diet, socioeconomic status, and development.

In the "Bones" session, **Nikola Koepke** (Tuebingen) and **Joerg Baten** contributed a paper that reflects real anthropometric history entitled "The Biological Standard of Living in Europe during the Last Two Millennia." Combining documented archeological information on skeletal remains of individuals or groups of skeletons from various places in Europe from the first to the 18th century, they have constructed a sample of adult height, inferred from long bone length. Koepke and Baten ascertain that the 6th and the 12th century produced relatively tall people and that population density was negatively associated with height. Kohler wanted to know whether the authors had looked at the effect of surviving the bubonic plague, when wages rose; the authors had actually investigated this but could not find a significant effect. Haines remarked that the negative effect of population density supports the argument that diseases played a substantial role. **Frank Ruehli** (University of Zurich) continued the session, investigating aspects of the secular trend in vertebrae width in Swiss backbone samples. The fact that this measure increased throughout the period under consideration (birth cohorts of late 18th to early 20th century) is an indication of an increasing prevalence of backache in the population. **Holle Greil** (University of Potsdam) talked about secular trends and their effects on growth variability in East German children aged 5-18 in 1989 and 1999. Greil discovers that the body mass index and fat layers have not risen among the older youths.

The suddenly warm weather motivated the conference participants to enjoy their evening in the *Biergarten*, bringing to a splendid conclusion the third day of the conference. The conversation tended to stay away from BMI and birth cohorts and toward optimal barley intake and the effects of academic conferences on the German brewing industry.

Saturday began with a session on cycles in human physical stature. **Vincent Tassenaar** (Groningen) opened the day, addressing the decline in average height in the rural Dutch province, Drenthe, a.k.a. "the lost Arcadia." Although during the 1820s its population was among the tallest, Drenthe was home to the shortest Dutchmen by the 1870s. Strong population growth and the creation of canals and paved roads left their marks on the diet of the population and ultimately on height as people substituted away from meat and buttermilk, especially in the northern, potato-growing and pig-exporting parts of Drenthe. Olmstead was curious about the impact migration may have had in this context, but Tassenaar responded that migration was virtually nonexistent at that time. **Marek Brabec** followed with his work on the physical stature of 18th- and 19th- century Swedish soldiers, previously analyzed by Sandberg, Steckel, and Heintel. He estimated cyclical patterns in height while controlling for a time-variant minimum-height requirement, spatial sample composition, and a secular trend in height. **Ulrich Woitek** and **Marco Sunder** (both University of Munich) continued with their analysis of cyclical properties in US height time series and how they might be related to business cycles. They employ height information from passport applications and voter registration cards from the birth years, 1800-1945. Estimated VAR processes for detrended height and business activity (at birth year) are used to generate a measure of common cyclical properties. Allowing the model's parameters to change over time, they see some evidence that an initial association between height and business cycles vanished for men. The finding of a stronger height-business cycle association in women than in men may indicate that consumption smoothing worked more to the advantage of sons than daughters. Komlos commented that Woitek was the first to discover such short cycles (lasting 2-8 years) in height and suggested that other participants might have a look at their own data from such a perspective as well.

In the session on Asia, **Jean-Pascal Bassino** (Maison Franco-Japonaise de Tokyo [Nichi-Futsu Kaikan] and Institute of Economic Research, Hitotsubashi University) presented "Efficient, Not So Poor, but Short; Food Supply and Biological Welfare in Southern Vietnam, 1880-1940." He proposes that agricultural output, gross food supply, and biological welfare in southern Vietnam before WWII gives us a puzzling picture. Though agricultural output per capita and gross food supply were good, the average body heights of both males and females were almost as low as in Japan or Java. He emphasizes that his data must be controlled for the impact of endemic diseases to understand such puzzles. **Sunyoung Pak** (Seoul National University) continued with "A Study of North Korean Biological Standards of Living Using Anthropometric Data from North Korean Escapees." She focuses on North Korean escapees who came to live in South Korea during the period of

1999 to 2003. Compared to South Korean children, North Korean escapees are shorter, and the height discrepancies between North and South Korean children become most evident around the age when South Korean children reach their puberty. **Kentaro Saito** (Kyoto Sangyo University) and **Takeshi Nagashima** (Keio University) reported on "Real Wages and the Market Integration in Modern Japan: Male Agricultural Laborers, the 1890s to the 1930s." They find that from 1910 to the 1920s market integration and real wages increased together. In this context, they emphasize that this cannot be generalized, as in the 1930s; although the number of integrated markets increased, real wages were decreasing. They feel that we need to examine the relationships between the market integration and real wages at more interregional levels by using other sources in addition to governmental statistics to examine this relationship. **Osamu Saito** (Hitotsubashi University) presented his paper on "Agrarian Progress and Human Growth: An Analysis of School Records in Meiji Rural Japan." He states that first-year primary school children in the countryside tended to be shorter than their urban counterparts, supporting the view that the labor-intensive mode of agriculture exerted an apparently adverse cumulative effect on children's height. He points out that intensive agriculture had a negative interaction with the disease environment as wet-rice cultivation and fertile soils were found in low-lying river deltas. **Ken'ichi Tomobe, Tsutomu Hirayama, and Akihito Suzuki** (all Keio University) followed with "Changes in Female Heights and Girls' Menarche Ages in Japan, 1870s– 1980s: Reconsideration of the Age of Japan's Interwar Darkness." They determine that the mean age at menarche evidently began to decline after 1920 and continued to decline until 1945. It rose soon afterwards but declined again after 1950. They assume that adolescent girls were under the psychological stress of living through WWII, which retarded the onset of puberty. **Stephen Morgan** (University of Melbourne) presented his paper on "Regional Variation in Stature in China since the 1950s." His analysis shows that the Chinese welfare as measured by height has improved over the past half century, especially since the economic reforms of the late 1970s. In recent years, however, there has been an increase in regional disparities in height that parallels the increase in disparities in income across China.

In the final session, **Joerg Baten** presented a paper written with **Alexander Moradi** (Tuebingen) on inequality in sub-Saharan Africa 1950-80. The measure of inequality they use is the coefficient of variation of mothers' height taken from various demographic and health surveys. Using some 200 provinces as units of measurement, they investigate both interregional and intraregional inequality. They claim that diversified cash cropping reduced inequality, whereas concentration on a single crop increased inequality. Cattle were associated with less inequality. A'Hearn wanted to know the reason for using CV of height as an inequality measure, and Baten argued that they compared their measures to the income Gini coefficients for those countries where they were available and that both were indeed positively associated. **Chris Green** (University of Manitoba) continued with his paper on competing explanations for the diabetes (mellitus) epidemic that is becoming a considerable medical problem. He uses data on the prevalence of the disease in Winnipeg and the Manitoba province in Canada to assess the plausibility of three different explanatory factors: genetic predisposition (prevalence is especially high among the First Nation population), lifestyle, and "grobalization" (the aspect of globalization involving the spread of junk food chains). According to Green, once one controls for socioeconomic conditions and implements spatial statistics, it appears that the first two arguments cannot explain the rising trend in the disease, so "grobalization" is really something to worry about. Bassino suggested the use of dynamic panel models rather than cross sectional data in this context. From work done with **David Reher** (Universidad Complutense de Madrid), **Jose-Antonio Ortega-Osana** (Universidad de Salamanca, Spain) presented their data and analysis of height in Aranjuez, a town close to Madrid, during the demographic transition, 1871-1970. They collected height data on 9250 conscripts and have been able to link them to civil registers to create a database for some 68,000 related persons. They identify three distinct phases in the height-time series: an irregular growth during the end of the 19th century, a stagnation phase for the 1910-1930 cohorts, and accelerating growth thereafter. The linked family records add information on parental education, father's profession, birth order and intervals, infant mortality of siblings, and, for a small subsample, father's height. According to Ortega-Osona and Reher, individual height is positively associated with the birth interval (prior to the person's birth) and negatively with mortality among the siblings. The negative effect of being a son to a landless worker diminished over time. A'Hearn asked about the small $R^2$ (0.01) when father's height was used as an explanatory variable, but Greil thought that the association with mother's height might be considerably stronger. **Ricardo Salvatore** (Universidad Torcuato Di Tella) ended the official part of the conference by presenting his paper on "Biological Welfare in the Argentine Pampas," for which he has collected data on the height of prisoners for the cohorts 1888-1939. Average height declined at first before stabilizing at about 169 cm. An increase can only be observed for the 1930s. The positive association between education and stature became stronger after 1915. Prisoners with European fathers were 0.7 cm taller than sons of Argentine fathers. Brabec wanted Salvatore to investigate the stability of coefficients when time interactions are added to the model, in particular with controls for type of crime. Harris thought that an increasing payoff for education may be due to higher inequality in the population.

The conference ended where it had started – dinner at Munich's central square. Throughout the entire conference, there was a very friendly atmosphere, which, in conjunction with the variety of disciplines, helped knowledge to spill over easily and provide many ideas for future research. This bodes well for the future of the next conference, most likely in 2006, continuing the biennial cycle.

*John Komlos gives instructions on how to open a traditional Bavarian beer barrel.*

**BOOK PREVIEW**

# Corruption and Reform: Lessons from American History

Edited by Edward L. Glaeser and Claudia Goldin

*Note: The following preview of **Corruption and Reform: Lessons from American History**, edited by Edward L. Glaeser and Claudia Goldin, is forthcoming in 2005 from NBER.*

## *Political Corruption: Today and Yesterday*

To most Americans today, corruption is something that happens to other, less fortunate people. A growing literature in economic development has documented the extent and consequences of corruption in transition economies and poor nations. A number of studies using cross-national data have demonstrated the harm to economic growth from corruption.

Most international measures of corruption rank the United States today among the lowest 10% of corrupt countries worldwide, but America's reputation as an untarnished republic is a modern phenomenon. Conventional histories of 19th-century America portray its corrupt elements as similar, and at times equal, to those found in today's modern transition economies and developing regions.

Nineteenth-century American, urban governments vastly overpaid for basic services, such as street cleaning and construction, in exchange for kickbacks given to elected officials. These governments in turn gave away public services for nominal official fees and healthy bribes. As late as the 1950s, cash-filled paper bags were said to float in the hallowed halls of the US Senate. Harry S. Truman made it into the Senate as an agent of the notoriously corrupt Pendergast machine. Some of the greatest US higher educational institutions were funded by individuals infamous for their roles in extracting public resources through allegedly corrupt political influence; Leland Stanford and George D. Widener, whose surname adorns Harvard's largest library, come to mind. The presidential legacies of Ulysses Grant and Warren Harding were forever marred by the Crédit Mobilier and Teapot Dome scandals, respectively.

If the United States was once more corrupt than it is today, then America's history should offer lessons about how to reduce corruption. After all, the dominant political movement of the early 20th century, Progressivism, was dedicated to its elimination. From 1901 to 1917, under Presidents Roosevelt, Taft, and Wilson, a legislative and administrative agenda was justified in part by a need to reduce corruption. On a more local level, throughout the 20th century, municipalities and states regularly elected reform slates that promised to exercise a strong hand to root it out. Crusading journalists and ambitious prosecutors have also frequently taken aim at corruption. While scholars can debate the impact of these various forces, there is no debate that US history offers many examples of reform movements that claimed reducing corruption as a primary goal, just like reformers in developing countries today.

In this volume, we take stock of corruption and reform in American history. John Wallis, Rebecca Menes, and this introductory essay all discuss what we mean by "corruption." Conceptual clarity is a precondition for measuring the amount of corruption over time and space. This introductory essay, the Menes paper, and that by Engerman and Sokoloff all address the difficult problem of measuring the extent of corruption over time. Because it is generally illegal, or at least embarrassing, it tends to be hidden, and as the modern cross-national empirical literature has found, measurement is difficult. We will argue that there is reason to believe that corruption increased during the first three quarters of the 19th century or was at a high level during the antebellum era, with much temporal variance. We have better evidence documenting a decline in American corruption from the mid-1870s to the 1920s.

After discussing its meaning and measurement, two of the essays in this volume address the consequences of corruption, or, more generally, of weak legal regimes. Lamoreaux and Rosenthal discuss the rise of corporations during the late 19th century and how the rise was accompanied by decreased protection of minority shareholder rights. Cutler and Miller look at the spread of clean water in America's cities during an era of legendary municipal corruption. Clearly, corruption does not alone determine the extent of public good formation. According to Lamoreaux and Rosenthal, the high economic returns to large-scale investment caused a rise in the number of corporations despite inadequate protection of minority shareholders. Cutler and Miller argue that the increasing availability of municipal credit during the Gilded Age made large-scale water projects feasible. Of course, the increase in municipal credit availability must have had something to do with improvements in accountability, suggesting that some forms of corruption had been curtailed.

The causes and consequences of reform are also discussed here. Bodenhorn's essay reviews one of the first episodes of anti-corruption reform in US history: the fight against corruption in the chartering of New York banks during the late 1830s. He argues that this reform emerged from political competition and a desire by the Whigs to deprive their opponents, Van Buren's Democratic Regency, of the rents of patronage. Deregulation, therefore, was the weapon of choice against corruption, since reducing chartering requirements limited the ability of government to corruptly manage their monopoly.

Novak's essay describes the legal environment in the late 19th century and depicts an era of increasing regulatory activism. The regulation was often rationalized as a tool to protect consumers, but as two of the essays (those by Fishback and by Law and Libecap) note, the situation was often more complex. Fishback looks at the rise of workplace safety regulation in manufacturing and mining industries. In the case of mining, he finds that workplace safety regulation was supported by unions and opposed by manufacturers. But in manufacturing, workplace safety laws were intended to raise costs for small firms as much as they were to protect workers and were, therefore, championed by large firms. Law and Libecap look at the introduction of the Food and Drug Administration. Passage of the FDA was driven by a combination of producer interests and consumer concerns about food quality. However, there is evidence suggesting that consumer outrage was manipulated and produced institutions that were, at least in the short run, only moderately aimed at protecting their interests. Law and Libecap also emphasize the role played by the press in creating support for state regulation.

The paper by Gentzkow, Glaeser, and Goldin documents the rise of the independent press and the remarkable transformation in US newspapers between 1870 and 1920. In 1870, the press was partisan, histrionic, and prone to omit facts that went against acknowledged political biases. In 1920, most newspapers had dropped party affiliations, used more moderate and civil language, and made at least a pretense of reporting the facts of the day without spin. The authors argue that the rise of the press was fundamentally the result of the increasing financial returns to selling newspapers rather than, for example, placating politicians for patronage. While the essay does not document the impact that the press may have had on corruption, it does discuss circumstantial evidence suggesting that the rise of the independent press was an important factor in movements to reform American political corruption.

Troesken looks at a particular outcome of these reform movements: public ownership of utilities, specifically water. He discusses evidence that suggests that both the move to public ownership in the early 20th century and the move away from public ownership 75 years later were associated with gains in service quality. He says that the evidence is either compatible with the view that ownership was productive during the earlier corruption but less productive today or with the view that change in any direction reduces corruption, at least in the short run, because of an ossification of bureaucracy.

Finally, Wallis, Fishback, and Kantor look specifically at corruption in the provision of public relief, such as welfare and unemployment insurance. They argue that the move to federal provision played a major role in reducing the level of corruption in the welfare system. The institutional change came about because the effectiveness and credibility of the Roosevelt administration would have been seriously hampered by allegations of corruption at the same time that it would not have received the same benefits that local leaders would from having a corrupt system. Because of the separation between national and local authority, Roosevelt had an incentive to put checks on corruption in place, and these checks indeed reduced the amount of corruption in the system. This article, and the Bodenhorn essay, suggest the role that separation of powers and inter-governmental competition can play in bringing about effective reform.

*Corruption: Definitions and Theory*

As Wallis's essay makes clear, the term corruption has its origins in an analogy between the state and the human body. In its first incarnation, corruption referred to the process by which a well-functioning system of government decays into one that fails to deliver and maltreats its citizens. According to the Greek historian Polybius (c.200-120 BCE), monarchy corrupts into tyranny, aristocracy into oligarchy, and democracy into mob rule.

During the 19th century, the view of corruption changed into a definition specifically related to the bribery of public officials by private agents. Bribery was generally successful in getting something from government, such as an overpayment for a service or public property or an exemption from government regulation. These three forms of corruption, as described by Menes, form the lion's share of what is known about 19th-century municipal corruption. City governments were corrupt in the purchasing of inputs, such as street cleaning or construction services, and bribes were given in exchange for overpaying for these inputs. City governments were also corrupt in the distribution of publicly-owned property, such as land or access to a port, all of which were sold not to the highest bidder for the good of the citizens but to the most generous briber for the benefit of the few. Finally, city governments were corrupt in the administration of rules, such as prohibitions on gambling and prostitution, and accepted bribes for leniency in this administration.

These two views of corruption, the systematic or Polybian type and the venal or bribery form, suggest a definitional synthesis. Corruption is the loss to the public from the subversion of formal, or implicit, rules of government behavior. The losses may involve a classic welfare loss, such as the loss from under-investment because corrupt judges do not necessarily protect property rights. The loss may instead, or in addition, be a reallocation from the public to politicians or from the public to bribing businessmen. Within this broad definition of corruption, there are several ways to parse corrupt behavior.

One reasonable division is to separate corruption into that which is legal and that which is illegal. Most modern corruption is viewed as illegal, but there are also prominent forms of legal corruption. In the framework of the definition, legal corruption involves losses due to the evasion of implicit rules, not formal laws. Thus, going back to the ideas of Polybius, tyranny may reflect an abuse of power that leads to large public welfare losses. But if there are no legal barriers against the king, then the corruption is not illegal. In a more modern context, George Washington Plunkitt's description of honest graft is best thought of as legal corruption. Honest graft, in Plunkitt's terminology, is the gain of wealth by public officials through private information, such as the proposed route of a new highway. The expropriation of this information involves a loss of wealth to the public, but it is not necessarily illegal.

Since we define corruption as the loss or transfer of public wealth, corruption is "bad," at least relative to some ideal outcome. Of course, in some outcomes the relevant comparison is less than ideal. For example, as many authors have recognized, in the presence of social-welfare decreasing rules, a little corruption and ensuing relaxation of those rules may actually be socially beneficial. Of course, a better outcome for the public would be to change the regulation or auction off permits to violate the regulation where the auction proceeds are returned to the public treasury.

Still, there is always a question of how detrimental corruption actually is. In some cases, the private returns to corrupt officials may be offset by paying those officials lower wages in expectation of corrupt gains. In some cases, corruption may ultimately involve a transfer of wealth from one group to another without net social loss. In other instances, corruption of the political system may lead to a breakdown in property rights enforcement that causes economic collapse. Corruption in the education sector in the developing world appears related to the under-provision of schooling, which may in turn seriously retard long run growth. An important question that reappears throughout this volume, but which is never adequately answered, is what the full cost of American corruption was.

The economic approach to explaining corruption starts with the costs and benefits facing potentially corrupt public officials. Since economics predicts that we should expect to see corruption when the benefits are high and costs are low, it is worth analyzing what factors should impact the benefits and costs of corrupt behavior. The benefits come from the ability possessed by a government official to increase someone's private wealth; the costs come from the expected penalties that result from being caught.

What determines the ability of a government official to increase someone's private wealth? The most obvious means is to pay the person out of the public purse. In extreme circumstances, the person can just be the official himself, and embezzlement is one example of corrupt behavior. More usually, paying someone out of the public purse occurs in exchange for services of some form, either labor or subcontracting. If fees are close to the costs of contracting firms or the opportunity costs of workers, then the opportunities for corruption are limited. If fees are significantly above free market prices, then there is opportunity for corruption in the assignment of work. High public sector wages and discretion over hiring have traditionally created some of the best opportunities for corrupt earnings.

This simple analysis helps us to understand some of the most popular reforms attempted to arrest corruption. Civil service reform, which takes patronage out of the hands of politicians and replaces discretion with test-based rules, would naturally serve to limit the opportunity for corruption, especially when combined with a rigid pay scale for civil servants. Rules concerning procurement fees have also tended to be a popular tool against corruption. Competitive bids for public projects linked to the requirement that the government accept the low cost bid is one of the simplest means of limiting corruption in administration of government projects. This approach relies on the existence of a competitive supply of contractors.

The second means that public officials have to create private wealth is to transfer government property to private individuals for their own profit. The transfer of government land to traction companies was a popular form of corruption in the 19th century. Information about future government actions is a more subtle form of in-kind transfer. The returns to corruption in these cases depend on the size of the assets at the government's disposal and the discretion that individuals have in the distribution of these assets.

The third primary means of creating private wealth comes from legal rulings or their enforcement. Even in a libertarian's dream world, where the government is restricted to enforcing property rights disputes, there would be considerable scope for corruption in the arbitration of these disputes.

The introduction of regulations creates added possibilities for corrupt earnings. Rules banning gambling and prostitution create the opportunity to extract bribes from potential providers. These bribes can be extracted by any and all members in the chain of enforcement. As the amount of regulation increases, the opportunity to extract bribes also rises, and this leads some reformers to fight against regulation. Conversely, the connection between the intrusiveness of regulation and the ability to extract bribes creates an incentive for politicians to push for further regulation.

Together these factors suggest that the benefits of corruption rise with the size and discretion of the government and the amount of social and economic regulation. Benefits from corruption also rise when the size of assets or damages involved in property rights disputes increases. As we will discuss later, the late 19th century was a period of increasingly larger governments, more valuable public assets, more aggressive regulation, and bigger stakes litigation. The potential benefits from corruption rose during this period along almost every dimension.

The limits on corruption have customarily come from three sources: legal penalties, career or social costs, and internal psychic pain. Thus, the overall costs of corruption come from the size of the potential penalties and the probability that these costs are imposed, which are in turn a function of information flows, social opprobrium, and the legal system.

The most obvious parameter influencing the cost of legal corruption is the stated legal penalty for corrupt practices. While this is certainly obvious, it is also important to remember that these penalties have changed significantly over time. For example, while Plunkitt's honest graft, the use of insider information by politicians to enrich themselves, was surely corruption (at least by our definition), it was completely legal during Plunkitt's era. Even the gifts of railway stock given to congressmen during the Crédit Mobilier scandal were perfectly legal at the time. At the beginning of US history, the number of laws on corruption was so modest that legal penalties against corruption were often negligible. Since that time, there has been a steady increase in the range of behaviors by public officials that are punishable by law and a steady increase in the attempt to craft laws, such as the RICO statute, that render illegal as yet unspecified forms of corrupt behavior.

Laws always require enforcement, and while the range of legal behavior has regularly contracted over time, the time path of enforcement quality is far less obvious. Enforcement requires some form of initial information about the corrupt action, reported either by a government investigator or by some third party, and then a legal proceeding that acts on this information. Public knowledge of corruption has been revealed mainly by third parties or by investigators from some branch of government separated from the actual corruption. As the Gentzkow, Glaeser, and Goldin paper reminds us, the press has played a major role in exposing scandals like Crédit Mobilier and Teapot Dome. However, in some cases, such as the famous exposure of the Tweed Ring's corruption by the press, exposure was initiated by a rival politician. In our own era, journalistic careers, such as those of investigative reporters Robert Woodward and Carl Bernstein writing for the *Washington Post*, have been made through intrepid uncovering of governmental malfeasance.

Government does, however, occasionally police itself. Today there are hundreds of prosecutions of state and local officials by federal investigators under the national Corrupt Practices Act. The Tweed Ring faced legal prosecution not by local city police, who were generally part of the ring, but rather through prosecution by officials of New York State. Today, perhaps 80% of public corruption prosecutions are brought by federal officials. Separation of powers and federalism create rivalries between different government actors, and these rivalries create incentives to uncover and prosecute corruption. Of course, the true importance of self-policing will be understated because in cases where internal monitoring functions well, corruption is unlikely to appear in the first place.

*The Time Path of Corruption in the United States*

Measuring corruption is a difficult task, similar to the problem of measuring crime. There are three ways of measuring crime: (1) crimes reported to the police (2) crimes leading to a conviction or trial (3) victimization surveys. The primary difference between reported crimes and victimization surveys is that reported crimes are those reported to the police and victimization surveys are crimes reported to surveyors. Victimization surveys are generally thought to be the best measure of crime, because they avoid the problem of underreporting, particularly in high crime areas. But, such surveys are not available for the case of corruption. Crimes reported to the police are also rare in the case of corruption. Reports of corruption generally come from newspaper articles about investigations, not from the victims, who are often all of the citizens. As such, historical research on corruption must turn to other sources and methods. One, which we follow here, is to use public documents such as newspapers to proxy for reported crimes. While there are no historical victimization surveys or crime reports that can be used, corruption was reported in the press. Obviously, there are many reasons to question the use of newspaper reporting as an indicator of underlying facts, but given the absence of other measures, media coverage offers one possible means of assessing the amount of reported corruption.

Another direction is to rely on trial records. The Corporate Crime Reporter (2004) has recently ranked the 50 states on the basis of their public corruption convictions per capita. Given that enforcement is generally federal and may not vary much by state, this measure may capture the degree of corruption by state. The rankings that place Mississippi and Louisiana as the first and third most corrupt states, and Oregon and New Hampshire as the second and third least corrupt states, accord well with standard preconceptions. In principle, it might be possible to collect a database of public officials indicted for corruption, but that would be difficult.

With the advent of optical scanning technology, there are now a large number of digitally searchable newspapers published in the United States, some going back to the late 18th century. The drawback of using newspapers is that reporting often differs from the underlying reality. Changes in reporting can reflect changes in the newspaper market rather than actual changes in corrupt activity.

Our approach is to search for the words "corruption" and "fraud" (and their variants) and to count the appearance of articles (or pages) containing these words. This count gives us a measure of the amount of space newspapers gave to stories about corruption and fraud. We then deflate these counts by the number of articles (or pages) containing the words "January" or "political" (and its variants). This count gives us a measure of the overall size of the newspaper (in the case of January) or the overall amount of attention given to politically-relevant stories. Our results are not particularly sensitive to the exact choice of deflator words.

We use two sources that are available electronically online in fully searchable editions: the *New York Times* (Proquest) and a large group of small-town newspapers (ancestry.com). The *New York Times* has several advantages. Because it is one newspaper, the series does not have a changing composition of papers. The *Times* is among the most serious American papers, and by the late 19th century, it was unlikely to have made unsubstantiated claims about corruption or knowingly omitted major stories on corruption.

Relying on the *Times* has the disadvantage that it affords us primarily a picture of New York City and its reporting begins in 1851 with the establishment of the paper. To supplement the evidence from the *Times*, we use a large collection of newspapers available from www.ancestry.com, a website containing sources which include the US population censuses and immigration records of particular value to genealogists. The papers are geographically spread throughout the United States, mainly from small cities and towns, and have fairly good coverage by the early 19th century. The disadvantage is that the composition of papers changes over time. Although neither series is perfect, they yield a remarkably similar picture for the century of overlap.

The first great boom in corruption reporting occurs around the 1840 election. Stories of corruption during this period focused on Tammany Hall and also Martin Van Buren, the first president who owed his success to a political machine. The next peak in corruption reporting occurred between 1857 and 1861 and focused on voting irregularities in Kansas. There is a global peak in the 1870s during the Grant administration. Top stories concerned Crédit Mobilier, the Whiskey Ring, and Reconstruction and the Ku Klux Klan. Finally, there is a small local peak in the late 1920s during Prohibition and the Teapot Dome scandal.

Both series reveal one major fact – reporting on corruption declined between the 1870s and the 1920s. The decline, moreover, is concentrated in both series from the mid-1870s to 1890 and in the 1910s. In the 1870s, our index (deflated by political) was greater than 0.8, but ever since 1930, the index has hovered around 0.2. If these series reflect anything about reality, then it is hard not to conclude that there was a significant secular decline in corruption.

The first period of decreased reporting on corruption and fraud (from the mid-1870s to 1890) was an era of reform, when New York City, under Honest John Kelly, was far "cleaner" than it had been under Boss Tweed. At the national level, no administration has ever faced the litany of scandal that embarrassed Ulysses S. Grant. It seems reasonable that the decline in our index reflects a cleansing of politics, even though the decline occurred during the heart of the Gilded Age.

The first period of decline in our index is followed by one of stability from about 1895 to 1908. This period, a high point of the Progressive Era, does not seem likely to have been a moment when reform stood still. Instead, a more reasonable reading of the data is that even if reform continued, the vast attention paid to corruption by muckraking journalists meant that the series was stable despite continuing reductions in corruption. Perhaps, it is worthwhile noting that contrary to the view that Progressive Era muckrakers brought to the media a new awareness of corruption, our series shows that such attention was much higher before. Our series, however, cannot reveal whether the informational content of the Progressive Era muckrakers was substantially higher than the more histrionic reporting of the earlier era.

The second period of decline occurs between 1908 and 1917. This period was legitimately one of significant reform, and it is certainly possible that corruption dropped significantly during this era. Of course, it is also true that increasing coverage of WWI may well have pushed corruption off the front pages. After this period, there is a rise in the late 1920s, but even during this period, reporting on corruption never gets close to the levels of the middle 19$^{th}$ century. At least if reporting is any kind of indication, by the 1930s, corruption in the United States was nothing like the corruption of the 19$^{th}$ century.

The time path shown by these series is compatible with mainstream history. The traditional view of much of the 19$^{th}$ century is that it was replete with great corruption, and the traditional view of the early 20$^{th}$ century is that Progressive Era reforms were effective and that corruption actually fell. Furthermore, scattered evidence on conviction in high places also supports the downward trend observed in the index. For example, while charges of venal corruption were regularly leveled against 19$^{th}$-century New York City mayors like Fernando Wood, Oakey Hall (a member of the Tweed Ring), and Robert Van Wyck, no New York City Mayor since William O'Dwyer (from 50 years ago) has been seriously accused of corrupt activity. Indeed, since Van Wyck, more than 100 years ago, only O'Dwyer and James Walker seem to have been notably corrupt.

The time series gives clear evidence for a decline in corruption since the mid-1870s, but the evidence on the earlier periods of the 19th century is less clear. The year-to-year variation is large, and it is hard to uncover any clear secular pattern. If the antebellum series are taken seriously (and there is much noise in these figures), then there was a steady rise in reporting about corruption between 1815 and 1850 and no change between around 1850 and 1870. This time pattern corresponds with the views of some historians, and it can be connected with the rise in government budgets and the scale of the economy. While the data are consistent with the view that corruption followed an arc, first rising between 1815 and 1850 and then falling after 1870, the evidence for the early rise is weaker than that supporting the subsequent fall.

*Conclusion*

Corruption within the United States appears to have followed something of an arc. The early period in US history was probably a bit less corrupt than the Gilded Age that followed, and it is certainly true that rule-breaking in the modern era is far more circumspect than in the early 20th century. The rise in corruption across the 19th century appears to have been linked to increases in the benefits from corruption, not from any reduction in the costs facing corrupt politicians. These costs appear to have been as modest in the early 19th century as they were 75 years later. The big change over the 19th century was in the size of the government and the economy.

But, the decline in corruption between the mid-1870s and 1920 was not associated with declining returns to corruption. The size of the government continued to rise, and the returns from corruption in the judiciary increased as well. The big change over the 20th century has been in the costs facing corrupt politicians. In 1900, many actions we would now prosecute were legal. Governments rarely prosecuted themselves, and the higher levels of government were sufficiently weak that they could not provide a check on local corruption. Newspapers had long provided exposure of corrupt practices, but in many smaller cities the news media was sufficiently tied to the political establishment that it was unlikely to trumpet information unfavorable to that establishment.

By the early 20th century, the full apparatus of modern checks on corruption were in place. Rules had generally replaced discretion in many areas, such as patronage. Different levels of government more effectively patrolled each other. Greater competition and political independence in the news media meant that corrupt activities and charges of corruption were more likely to be reported everywhere in America, not just in the big cities. Finally, voter expectations about corrupt behavior had changed, and revealed corruption was more likely to lead to political defeat.

Because the costs of corruption rose along so many margins, it is hard to determine what particular factor or set of factors were most important. Still, American history does provide a striking story of a country that changed from a place where political bribery was routine to a nation that now ranks amongst the least corrupt in the world.

# A Letter from the Editor

Greetings Cliometricians Near and Far:

It has been awhile since the *Newsletter* last reached you. Hopefully, you noticed that it wasn't sent last summer, as is our usual practice. This year we have combined the summer and fall *Newsletters* due to the late date of the World Congress. If you were unable to make it to Venice, fear not, we have a report of the proceedings and the always lively discussion, along with a fine selection of pictures. Just close your eyes (after you finish reading), and you will be carried back to the lazy days of summer – or, the exuberant events of the World Congress. Imagine hearing the papers, participating in the captivating discussions, feasting at the banquet (as evidence, I offer you the photo on this page), absorbing the Venetian culture, and feeling the island of San Sevilo sinking beneath your feet...

Speaking of traveling back in time, in this issue we have the rare opportunity to travel back in time and enjoy an interview with a well-known member of our profession, George Rogers Taylor. Taylor died in 1983, but an interview with him (conducted by Hugh G. J. Aitken in 1972) was recently discovered and is reprinted here. As you will read, Taylor was not exactly enamored of the then fledgling cliometrics revolution. It is interesting to hear a contemporary opinion of what was to become the backbone of our organization and ultimately lead to the awarding of the Nobel Prize to two of its early founders.

Continuing the theme of "not exactly mainstream cliometricians," elsewhere in this issue you will find an interview with Alfred Chandler, a noted business historian and founding member of the Business History Conference. His interview highlights another direction that cliometricians have taken with their research.

Finally, I am sure that you noticed the substantial insert that fell into your lap as you settled down in a comfy chair with a cup of java to read the *Newsletter*. As you recognized, it is not a

renewal card, but the abstracts for the papers to be presented at the ASSA meetings held in Philadelphia January 7-9, 2005. A total of five sessions will be offered by Clio and the EHA. For the first time since both Clio and the EHA have presented at the ASSA meetings, they will not have dueling sessions. Economic historians will have a chance to attend all five. A complete schedule is included in the insert.

After drinking in the sessions, don't forget to stop by the annual Clio reception for a drink of a different nature. This year the reception will be hosted by John Murray and Toledo University. The festivities will take place on Saturday night, January 8th, beginning at 8:00 p.m. in the University's suite in the downtown Philadelphia Marriott. The room number will be announced at each Clio and EHA session. You can also call John at the hotel when you arrive on Saturday night, and he will cheerfully guide you up to the room. Alternatively, you could wait in the lobby and follow the police.

Read and enjoy,
Your humble and obsequious Editor

# Call for Papers

## Economic & Business Historical Society Conference

### High Point, North Carolina
### April 8-28, 2005

The Economic & Business Historical Society welcomes proposals for presentations on all aspects of business and economic history at its 30th annual conference. In keeping with tradition, the Society seeks proposals for both individual papers and panel sessions. Graduate students are invited to apply and may qualify for reduced registration fees.

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. Graduate students and non-academic affiliates are welcome. **Proposals must be submitted by January 15, 2005.**

Proposals may be submitted using the online submission form, by email to jstitt@highpoint.edu, and via conventional mail to:

Dr. James W. Stitt
Chair, History
David Hayworth Hall 104
High Point University
833 Montlieu Avenue
High Point, NC 27262

Both the annual membership ($25) and conference registration fees are modest. Final arrangements with the hotel are being concluded, and the details will be posted in the very near future.

# Call for Papers

## Annual Cliometric Society Conference

### Tahoe City, California
### June 3-5, 2005

The annual Cliometrics Conference in 2005 will be held June 3-5 at the Granlibakken Conference Center Lodge, located just south of Tahoe City, CA on the west shore of Lake Tahoe. The conference will be hosted by the University of California at Davis. Funding is provided by the National Science Foundation and the All-UC Group in Economic History.

The conference is designed to provide extensive discussion of new and innovative research in economic history. Typically, 12 papers are selected for presentation and discussion, which are sent out to all conference participants in advance. In the session devoted to each paper, authors make a 5-minute opening statement and the rest of the session is devoted to discussion by all conference participants.

Participants are required to attend the entire conference. Paper presenters and those wishing to attend the conference should provide their addresses, phone and fax numbers, and email addresses.

Those wishing to present should provide a 3-5 page summary of the proposed paper. **The deadline for proposals and requests to attend the meetings is Tuesday, February 1st, 2005.** Those presenting papers will be notified by March 2, 2005 and are expected to provide a completed draft of the paper in the proper format for the conference volume by April 5, 2005.

We prefer that applicants submit their materials using the application form under the Cliometrics Conference listing at the www.eh.net website. We will begin accepting applications in December. You can go directly to the form by going to the following address: http://www.eh.net/Clio/Conferences/prop_05.html Proposals may also be sent by mail, fax, or e-mail to:

Cliometrics Conference Secretary
Deparrtment of Economics
University of Arizona
Tucson, AZ 85721

Phone 520-621-2821)
Fax (care of Carole Merly) 520-621-8450
E-mail merly@eller.arizona.edu