The Newsletter of

The Cliometric Society

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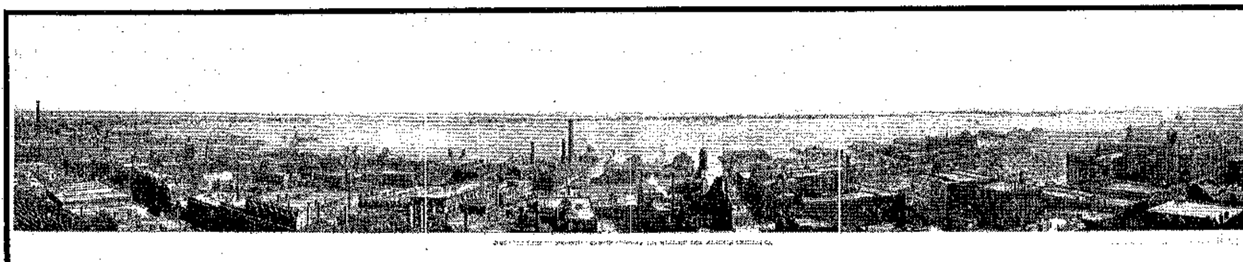

Toronto Harbor c1910

Report on the 65th Economic History Association Meeting

(Toronto) The Economic History Association traveled north of the border for its 2006 meeting, convening in Toronto from September 16-18. The program committee of Jean-Laurent Rosenthal (UCLA), Dora Costa (MIT), Oscar Gelderblom (Utrecht), and Hugh Rockoff (Rutgers) put together a stimulating program based on the theme "War and Economic Growth: Causes, Costs, and Consequences." The local arrangements were handled with great skill and aplomb by Gillian Hamilton, Scott Eddie, Lauren Brandt, John Munro, Don Moggridge, and Jon Cohen (all Toronto). They organized a reception hosted by the Canadian House of Parliament on Friday night and put together a first-class banquet on Saturday night. The president's banquet on Saturday night featured the award ceremony and an address by outgoing president Roger Ransom (UC-Riverside).

Jean-Laurent Rosenthal chaired the opening session, "Leviathan in Debt," which began with a paper by **Farley Grubb** (Delaware) titled "The Net Asset Position of the US Federal Government, 1784-1802: Hamilton's Blessing or the Spoils of War." Grubb examines why foreign governments were willing to lend to the newly created United States at a time when its future was anything but certain. Grubb's findings suggest that the answer is connected to the value of land transferred to the Federal government from states. He uses quoted land prices to infer the value of the Federal land and ascertains that the net asset position of the Federal Government is positive only if interest-bearing debt is considered. Discussant Richard Sylla (NYU) questioned Grubb's price estimates and argued that the Continental dollar was not part of the national debt. Sylla and other participants further questioned the ability of the government to sell this land.

Next, **Chris Rohlfs** (Chicago) presented "How Much Did the US Government Value Its Troops' Lives in World War II?: Evidence from Dollar-Fatality Tradeoffs in Land Battles." Rohlfs measures the cost of

(Continued on page 20)

What's Inside

Executive Director's Notes

Greetings Gentle Members:

I quit. Well, not exactly. I'm now more than halfway through my second term as executive director of our fair Society, and I have notified the trustees that I will not be submitting my application for a third term. The liberal media won't have Craig to kick around anymore.

Tom Weiss has agreed to chair the subcommittee of the Board of Trustees, which will find my replacement, hopefully. If you're interested in the job, contact Tom at t-weiss@ku.edu, or if you know someone who might be interested, or if you know someone who is not interested but should be, contact Tom. The Society's bylaws on the Clio website at EH.Net contain information about the tasks and responsibilities of the executive director.

One of those tasks is putting together the Society's budget, which, according to the bylaws, must be approved by the Trustees and published in the *Newsletter*. You will find it nearby.

Another responsibility is recognizing those who serve the Society. Earlier this year, the terms of Ken Sokoloff and Bob Margo expired. Three cheers for their service. (Bob remains on the Board in an ex officio capacity as editor of *Explorations*. His sentence, uh, I mean service, continues.) Ken and Bob were replaced by the aforementioned Tom Weiss and Steve Broadberry. Bless them both.

The Clio social season will once again kick off at the annual meetings of the Allied Social Sciences Association in Boston, January 5-8, 2006. A reception for "Friends of the Society" will be hosted by the North Carolina State Department of Economics and held in the Four Seasons Hotel. I hope to see you there.

Lee A. Craig, Executive Director

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►Reminder◄

The annual Cliometrics Conference will be held at Binghamton University June 2-4, 2006. Proposals for papers are due February 1, 2006 and should be submitted using the application form found at http://www.eh.net/Clio/Conferences/prop06.html or via mail to:

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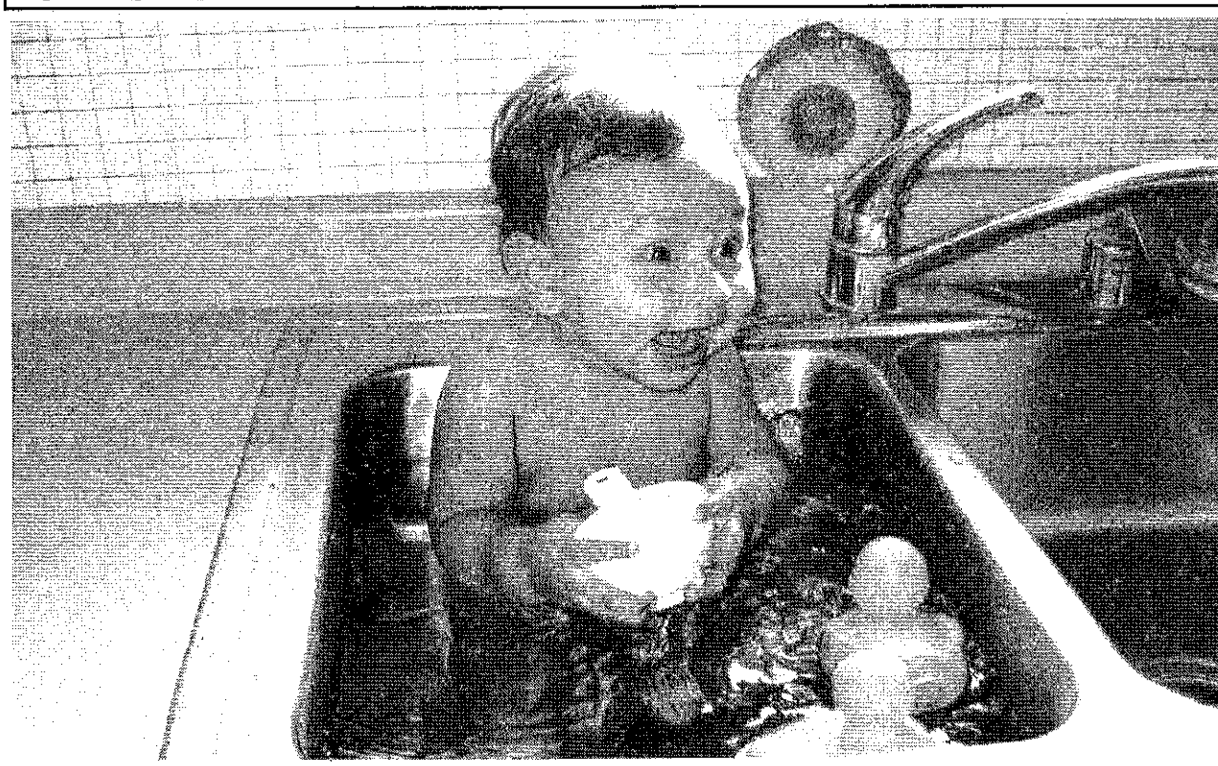
2004-2005 Clio Budget Summary			
	2004	2004	2005
Income	***Budgeted***	***Actual***	***Budgeted***
Dues – Regular	$7,290	$7,267.50	$7,875
Dues – Students	150	187.50	125
EEH Subscriptions	15,345	13,447.50	14,400
EHES Dues Collected by Clio	5,000	5,525.00	5,820
Donations	1,600	1,947.50	1,750
Interest and Other Income	200	0	0
Total Income	$30,215	$28,375	$29,970
Expenses			
Salaries	$1,500	$855	$1,500
Newsletter	4,000	4,485.87	4,000
Academic Press	14,800	12,560	13,760
Clio Member Dues Remitted to EHES	4,000	4,766.60	4,500
IEHA Dues	250	219.93	250
Director's Travel and Trustees Meeting	1,200	1,137.20	1,350
Bank, Credit Card, and Wire Fees	1,750	2,158.37	1,850
ASSA Meetings	1,200	1,350	1,450
Office Expenses	500	259.08	500
Other Expenses	250	0	250
EH.Net Dues	500	500	500
Total Expenses	$29,950	$28,292.05	$29,910
Operating Surplus	$265	$82.95	$60



Yea! Clio's going to Binghamton in June!

An Interview with Joel Mokyr

Joel Mokyr is the Robert H. Strotz Professor of Arts and Sciences and Professor of Economics and History at Northwestern University, where he has been on the faculty since 1974. His research interests range from European industrialization to demography and to the use of evolutionary models to understand economic growth. The author or editor of 11 books and 66 journal articles, Mokyr has also served as co-editor of the ***Journal of Economic History*** *and on the editorial board of both* ***Explorations in Economic History*** *and the* ***Journal of Economic History****. He has received research grants from the Guggenheim Foundation and the National Science Foundation and has received awards and distinctions too numerous to mention. He was recently a Fellow at the Center for Advanced Studies in the Behavioral Sciences at Stanford. Lynne Kiesling, Senior Lecturer of Economics and Director of the Center for Applied Energy Research at the International Foundation for Research in Experimental Economics, conducted this interview in person on January 14, 2005 in Joel's office.*

How did you become interested in economic history?

It all goes back to Israel. I went to Hebrew University with the intention of studying history. When I arrived for registration, I was told that I had to declare two majors, so I asked what other people study with history. I was interested in a scientific discipline, so I registered for economics. I had studied some economics in high school, but it was mostly history of economic thought. I have to say that I had a better time with history than economics as an undergraduate, because the Economics Department at that time had lots of young geniuses who were fabulous economists but didn't always have time for undergraduate students. When I completed my degree, I had gotten the highest grades in history for quite some time, so the chairman of the History Department called me in and asked me to do a master's degree in history. While I was deliberating, Nachum Gross asked me to be his research assistant, because I was the only History/Economics student. Working with him really started my interest in economic history, and he suggested that I pursue a Ph.D. in economics. I did two years toward a master's in economics at Hebrew University, then applied to American universities to do a Ph.D. in economics.

I arrived at Yale intending to do economic history, and my long-run career plan was to return to Israel and teach. I had an understanding with the University of Tel Aviv that I would come back and join their budding economics faculty. I spent four years at Yale, studying with Bill Parker and following in the tradition of Jan DeVries, Gavin Wright, George Grantham, and others who had studied with Bill. In the winter of my fourth year, my wife and I decided to spend a year in the US as visitors. I wanted to get a few papers out, because I knew that Israeli universities demanded quality research. At the time, my research was on the Low Countries, and I also knew that finishing that research would be easier in the US than Israel. For a variety of reasons, I ended up at Northwestern, largely because Jonathan Hughes was chair of the department and interviewed me at the meetings. Contrary to Bill's dire predictions, we hit it off from minute one. After a couple of months, he and Eric Jones decided they wanted to make me a tenure-track job offer. I was not sure, but obviously the rest is history.

I am happy to say that I am belatedly paying off my debt to Tel Aviv, because now I am an adjunct faculty member there, and I go back once a year to teach a mini course in economic history for graduate students for a few weeks.

What topics do you teach there?

I alternate between economic history of the 20th century, which is also what I am teaching currently at Northwestern, and economic history of Britain during the Industrial Revolution. I am happy to say that the course is quite popular. I also enjoy teaching in Hebrew, and I'm having a ball. Tel Aviv is comparable in quality to Northwestern, so I have the best of all possible worlds.

You started your career working on the Low Countries. How would you characterize the evolution of your interests from that to your current interests in the creation and dissemination of knowledge and their effects on growth?

Lots of stages in between; there was a long Irish stage. Ireland was always a thorn in my side intellectually, because one of my arguments for why Belgium industrialized before the Netherlands had to do with labor costs. It was disturbing that, by that logic, Ireland did not industrialize and Britain did, because Ireland has much lower labor costs than Britain. I decided to look into it, got a National Science Foundation grant, got a book contract, went to Dublin, and wrote *Why Ireland Starved.* I don't think there's a one-line explanation for why Ireland starved other than the almost tautological argument that Ireland starved because Ireland was poor. So I tried to understand why Ireland was poor, connecting it to things like immigration, the kind of economy that the potato created, and so forth. I finished that, writing a few papers in my spare time, including the introduction to the *Economics of the Industrial Revolution* book, but that work was almost a by-product of my teaching.

You also did some demographic work.

That work was an outgrowth of my Ireland work. Ireland has an unusual demographic history, being the only country in Western Europe that has had a declining population after 1850. So I got interested in historical demography and am proud to say was one of the pioneers of a technique that is now widely used: age-heaping as a measure of human capital. If you are using height to measure income, age-heaping is an analogous technique that enables you to measure numeracy, if not literacy. Cormac O'Grada and I wrote several papers on human capital in Ireland, and I enjoyed that a great deal.

How did that evolve into your interest in technological change?

That's an interesting story. *Lever of Riches* was not born but conceived one day in 1986 or 1987. There was a knock on my door, and it was Mike Scherer. He and Hugo Sonnenschein were editing a large series of essays on economics. He was looking for someone to write a survey of the history of technological change; he assured me it would only take a couple of months. So I said yes, and it grew, and grew, and grew some more, to the point where it was three times as long as it could be for the series. I ended up sending it to a few other publishers, and Oxford University Press made me an offer to publish what became *Lever of Riches*. The original publisher also published an abbreviated version in the original pamphlet series. Of all of the things I have done, this is the project that I had the best time writing; it was mostly books and the mind and what makes societies creative.

Your enthusiasm for the role of technological change and the interplay of economic theory and historical fact has been infectious. The effects are obvious in how you have inspired your students and how many of your students have chosen to pursue economic history and have successful careers.

Yes, but I have never encouraged my students to work on something I am working on. Do economic history, do it well, ask interesting questions, get good data, do your research carefully, but you don't have to work on technology or demography. In fact, not many have. Quite a few people have worked in fields orthogonal to my own, which is a bonus because I learn from their interests. From every one of my students I learn as much as they learn from me, if not more. This was even true when I was at Yale, with all due respect to Bill Parker, and has certainly been true at Northwestern.

Your experience in your intellectual career is in a sense a microcosm of the knowledge and interaction concepts you are studying now and that you analyzed in *Gifts of Athena*.

In *Athena*, I was interested in the scientific and knowledge origins of the modern economy, more so than in *Lever*. There's a lot more to technology than I addressed in *Lever*. The history of science is too important to understanding the modern economy to be studied only by historians of science. Today much of the work in the history of science is affected by the postmodern program, in which concepts like "progress" and "growth" are considered to be teleological and Eurocentric. The economic history profession in general has to resist that trend in which we dismiss events like the Enlightenment or the Industrial Revolution. The historical record seems quite unambiguous about the fact that these events are at the root of the modern economy, so if we are not going to study them because they are teleological and Eurocentric, then we are abandoning the attempt to understand the modern economy, and, as historians, we are losing the ability to communicate with our economist colleagues. Economists today who are studying growth understand that such events are the basis for understanding why we are living the way we are and not the way our great-grandparents did.

Life in 2005 is vastly different from life in 1805. If we characterize industrialization as neocolonialism, dark satanic mills, environmental degradation, and the oppression of women and the working class, we abandon the ability to understand what life was like in earlier times. Life in earlier times was characterized by a higher degree of uncertainty than we have today. Look, for example, at the basic degree of safety net that Western European countries currently provide. In these countries, poverty has either been largely eliminated or could be, and the reason it's not has to do with social and political structures that are beyond the control of the economist. It is really striking that Western Europe for the first time can contradict the Bible when it said "the poor will always be with us."

The Baconian program has succeeded beyond even Condorcet's optimism. Who would have dreamt in 1750 of our modern understanding of biological, chemical, and physical processes and how we have used that understanding to eliminate pressing material want from our daily lives? I would like to bring Francis Bacon through time and show him an iPod and say, "look what you started, Uncle Francis!" I am not saying that the eradication of poverty will happen, but we have created the material conditions in which it is possible. If it doesn't happen, we only have ourselves to blame. For a deeper understanding of this, we should be reading Doug North and Avner Greif on the institutional progress that can bring such conditions about or stymie them. Technology is hard to reverse, but sadly enough, good institutions emerge and can be reversed.

What history contributes to economics, then, is context and some larger sense of good questions to ask. What's the flip side – what does an understanding of economics bring to history?

Economics is not just a set of models. It's a way of thinking, a way of ruling out things using rigorous, clear-cut logic, in which certain statements are permissible and certain statements are not permissible and we know why that is the case. Economics is not about how "there's no such thing as a free lunch." There could be free lunches but not always. Under what circumstances is a lunch free, or just a good bargain, or very expensive? Economics gives you the tools to distinguish among those three cases and to analyze a country and say "that country did not eat that lunch, but they were right because it was too expensive," or to explore why a country did not take what looked like a very cheap lunch at the time. Then you get into questions of institutions and political economy. But without economics, in my opinion economic history today could not exist, leaving aside modern computers and the ability to analyze quantitative data unmatched by anything in history. Economics teaches you a respect for and a distrust of numbers. That combination of distrust and respect makes economic historians such good economists because economists have respect for numbers but no distrust and historians have distrust but no respect. We have both. Economic history must rely on quantification if it is going to do its job. I am not calling for quantification at any cost. Things that can be quantified should be, but we should also understand that not all things can be quantified. Training gives us the ability to distinguish between the two. There is no substitute for good training and good common sense. Economic historians have to know about biology, engineering, chemistry, and animal husbandry, depending on their research field. The best economic history programs in this country have always insisted on crossing interdisciplinary boundaries.

Such boundaries are the places where you can find the most novel combinations of ideas.

Exactly, and people cross them back and forth. Doug North has done nothing but and has been an example for all of us. Bob Fogel and Deirdre McCloskey have also never paid attention to such boundaries, and these are the true giants of our field. In that sense, economic history is much larger than economics – economic history both imports and exports ideas. We are a true open economy of ideas.

Nachum Gross (l.) and Joel Mokyr (r.)

Would you say that in economic history you have to have an empiricist outlook *a la* Hume?

I think so, although we should never think that because of that, we could completely dispense with the formal theory that we learn and teach in economics graduate programs. My advice to incoming graduate students who come to Northwestern intending to do economic history is to do very well in their introductory micro and macro and econometrics courses, because even though you may only need 10% of these courses in your research, you don't know which 10%, so you should do well on 100%. Having said that, economic history is not a mathematical science; you have to have facts, data, and observation. In the end, economic history is not about what could have been, or what I would like there to have been, but about what really was. Economic history is always and everywhere constrained by the facts, which is not always the case in other fields in economics.

Given how economics has evolved in the past couple of decades, this presents a challenge to a young economic historian who wants to work in a top economics department. What advice would you give to an economic history graduate student looking at economics departments today?

Be satisfied with being a consumer, and not a producer, of theory and of econometric techniques. Pick problems that are interesting to you, because if they are interesting to you, they are likely to be of interest to at least some of your colleagues. Apart from that, the most important thing is to make sure that you have convinced yourself that the incredible richness of human history gives you such a large space in which to pick a few topics over your lifetime to work on that make you happy. In retrospect I think I have done that. Many of the good economic historians that have emerged in the last 20 years have done that; sometimes graduate students need the voice of experience to encourage them in that instinct. There will be some disadvantage in the market; we are a niche operation, and our job opportunities are largely constrained to teaching-focused schools. Thus, we need to be smart to survive. We have done that, and done it well. Well-trained economic historians get good jobs and are respected by their colleagues. With some reluctance, I do say that they should go to an economics department and not a history department. I know of too many cases in which economic history students in history departments feel isolated, although I hope that will change over time. The field has incredible potential. Look at what has happened during my career. There used to be a large and respected field called comparative economics. Today, if you want to study the Soviet system, you are an economic historian. For example, Bob Allen's recent book is good economic history, but two decades ago it would have been comparative economics. Economic history is not confined to a particular set of propositions, so it will never wither because history keeps accumulating.

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Call for Papers

Canadian Network for Economic History Conference

Vancouver, British Columbia

October 13-15, 2006

The Canadian Network for Economic History invites proposals on any topic and historical period for its October 13-15, 2006 conference in Vancouver, British Columbia. To be considered, please e-mail a two-page abstract to both David Jacks (djacks@sfu.ca) and Mauricio Drelichman (drelichm@interchange.ubc.ca). **The deadline for abstract submissions is April 30, 2006,** and the authors of selected papers will be notified by mid-June. Proposals from graduate students and junior scholars are particularly encouraged.

BOOK PREVIEW

Global Migration and the World Economy: Two Centuries of Policy and Performance

By Timothy Hatton and Jeffrey Williamson

Note: The following is an excerpt from Chapter One of ***Global Migration and the World Economy*** *by Timothy Hatton and Jeffrey Williamson, forthcoming in Fall 2005 from MIT Press.*

There is nothing new about world migration. It has been going on for centuries, and non-coerced mass migration has been going on for the last two. Nor are the reasons people move a big mystery; they do it today to improve the quality of their lives, and they did it for the same reason two centuries ago.

The demand for long distance moves from poor to rich countries, and the ability of the potential migrants to finance them, have both soared over the past 200 years. Transport technologies have improved dramatically, so much so that the cost of long distance moves as a share of family income at home are now so low that they are within reach of even very poor Third World citizens, moves that were unthinkable 150 years ago. While only western European workers were close enough to the labor scarce New World and far enough above subsistence to be able to invest in a relatively short overseas move in the mid-19th century, workers from poorer and more distant parts of Europe (Italians, Poles, Slavs, and Russian Jews) were increasingly able to do so as the century progressed. By the mid-20th century, poor Mexican and Caribbean workers could finance a move to the United States, and poor Greek and Turkish workers could do the same to Western Europe. By the early 21st century, there seems to be no distant Asian, African, or Latin American village that is not now within reach of some high-wage, OECD labor market. Improved transport technologies have lowered the relative cost of long distance moves, and this has served to increase the number of potential movers. Even though much of the Third World fell behind the rich industrialized First World during the 20th century, improved educational levels and living standards increased the ability of potential emigrants to make the move. Thus, the passage of time has seen the poverty trap unlocked for poorer and poorer potential migrants, ones increasingly distant from high-wage labor markets. This emigration fact implies an immigration corollary that has important political economy implications. Relative to native-born host country populations, world immigrants have fallen in "quality" over time, at least as judged by the way host country markets value their labor. This erosion in relative immigrant quality took place during the decades before World War I and since World War II.

The widening economic gap between rich and poor countries also increased the incentive to move over the 20th century, although by 1950 it was already big enough to motivate a move for almost any worker in distant Third World villages, towns, and cities, as long as the poverty trap did not lock the potential emigrant in at home. Adding to that demand for emigration, the share of the population at risk increased as poor countries started the long process of economic modernization. Every country passes through a demographic transition as modern development unfolds. Improved nutrition and health conditions cause child mortality rates to fall, serving to raise the share of surviving children in the population. After a couple of decades, this swarm of children becomes a swarm of young adults, exactly those who are most responsive to emigration incentives. These demographic events were important in pushing poor Europeans overseas in swelling numbers throughout the late 19th century, and they have been just as important in pushing poor Third World workers to the First World during the late 20th century. The rich OECD is, of course, at the other end of this demographic transition, where an aging population contributes to a scarcity of working adults and thus to a First World immigration pull, which reinforces the Third World emigration push.

Consequently, the impressive rise in world mass migration after the 1960s should have come as no surprise to any observer who paid attention to history. Annual immigration to North America rose gradually up to the mid-1970s before surging to a million per year in the 1990s. The absolute numbers were by then similar to those reached during the age of mass migration about a century earlier, although they were much smaller relative to the host country populations that absorbed them; the rate of immigration in the 1990s was still only a third of what it was in the first decade of the 20th century. Still, look at what happened to foreign-born shares in host countries. The postwar immigration boom increased the United States foreign-born share from less than 5% in 1970, to more than 8% in 1990, to more than 10% in 2000, and to even higher figures as we write. That which happened to the US also happened world wide. The foreign-born share increased by about a third in Australia and New Zealand between 1965 and 2000, from 14.4% to 19.1%; more than tripled in Europe as a whole, from 2.2% to 7.7%; and increased by five times in Western Europe, from 2.2% to 10.3%. Most of the OECD rise in foreign-born shares took place in the 1990s: two-thirds of the increase in the North American foreign-born share and four-fifths of the increase in the European foreign-born share took place during that decade. In short, OECD immigration accelerated after 1965, and especially in recent years.

The amazing attribute of this modern boom in world mass migration is that it has taken place in such a hostile policy environment. Prior to World War I, most world mass migration took place without visas, quotas, asylum status, green cards, smuggled illegals, or security barriers. After World War II, all of world mass migration took place under those restrictions, limits, and hurdles. Imagine how much bigger world mass migration would be today without these modern policy restrictions. Imagine how much bigger they would be today were we still living in the age of unrestricted migration that characterized the first global century before 1913.

While it has never been the poorest who have been part of the mass migrations, it is clear that the 19th-century mass emigration from Europe served to diminish poverty there. Indeed, living standards between participating host and sending countries converged during those decades, and the mass migrations were doing most of the convergence work. That is, world mass migration was much more important in contributing to convergence than were booming world trade and world capital markets in the first global century. If the same cannot be said of modern Asia, Africa, the Middle East, and Latin America in the present global century, it is not because the impact of world capital markets and world trade are any more powerful, but rather because the emigrations are so much smaller relative to the huge populations that send these people to the OECD. In the first global century, emigration raised living standards in poor countries substantially. In the second global century, emigration could raise living standards in poor countries substantially, but typically it does not. And even when emigration does raise a sending country's living standards, it can not do so forever. At some point, successful catch-up development diminishes the incentive to leave home, more young adults opt to stay, emigration slows down, and the country must then rely increasingly on its own productivity devices to continue the catch-up.

If there is even more to be gained by world mass migration today than in the first global century, why are so many potential migrants kept out of the industrial OECD? In large part, the answer has to do with economic adjustment in the host countries and with who pays for the adjustment. Thus, it has to do with the economic damage done to low-skill, native-born workers and their political clout. These factors played a central role when the United States, Australia, Argentina, and other overseas, high-wage countries retreated from unrestricted immigration before World War I to tighten quotas thereafter. They play the same role today. Modern immigration restriction also has to do with the net fiscal impact of the immigrants, who pays for it, and their political clout. This is a new issue that was not present during the immigration debates of the first global century.

This book covers these issues using two centuries of world mass migration experience. Part I deals with the first global century, the age of so-called free world migration, while Part III covers the second global century, our current age of restricted world migration. Part II talks about the autarchic disaster in between; and Part IV concludes with an assessment of the future of world mass migration.

World mass migration cannot be understood by just looking at the past decade or two. It can only be understood by assessing the present relative to a past that stretches back over two centuries. Let us show you why.

All-Ohio Economic History Seminar

By David Wishart, Wittenberg University

Participants in the April 22, 2005 All-Ohio Economic History Seminar, sponsored by the Economics Department at Ohio State University, heard complementary and, in some respects, competing descriptions of early United States financial history presented by **Richard Sylla** (NYU) and **John Wallis** (Maryland). Both papers had been presented previously at a conference at Stanford organized by Douglass North, Barry Weingast, and Steve Haber with the aim of compiling a book that explores the sorts of institutions that promote efficient capital markets and financial development generally.

In "Political Economy of Early US Financial Development," Sylla examines how the interaction of political and financial developments led to improved political and financial systems and faster rates of economic growth. Not surprisingly, limited government, marked by horizontal separation of power among the executive, legislative, and judicial branches and vertical separation of power between the federal and state levels, facilitated the achievement of a more effective financial system and faster economic growth. However, according to Sylla, horizontal and vertical separations of power are not always sufficient for successful financial development. He noted Canada and Mexico as examples of countries with limited government that lagged far behind the United


There was much revelry at the All-Ohio Seminar

States in financial development during the late 18th and early 19th centuries. Furthermore, even with such separations, the United States experienced what are called "great reversals" in the early development of its financial system, namely the failures of both the First and the Second Banks of the United States to be rechartered as a result of competing interests at the national level and between the federal and state levels. Sylla identifies enlightened political and financial leadership as key ingredients to the success of financial development. Much of the paper is a fascinating account of Alexander Hamilton's role. Hamilton, as George Washington's principal aide de camp between 1779 and 1781, wrote three letters which indicate his early leadership in this area.

Sylla's presentation sparked a number of questions. First, he was asked why the United States and state governments chartered banks for fixed lengths of time whereas corporations were perpetual entities. Sylla answered that banking was a new business in the United States and chartering was new too. The federal and state governments wanted to step into this new territory carefully, keeping banks on a short leash. Chartering also served the purpose of allowing states to extract additional revenues from banks, so there was a clear fiscal interest.

Next, he was asked about the nature of liability, limited or unlimited, for early banks. Sylla replied that it was assumed by most states that incorporation meant limited liability, although there were exceptions. For example, Rhode Island's banks were chartered with limited liability from 1790 to 1830 and then switched to unlimited liability after 1830, while Massachusetts began with unlimited liability and then switched to limited liability by the 1820s.

Sylla was asked why state banks could not carry on business across state lines. He responded that states had a fiscal interest in restricting competition from out-of-state banks. When asked how the Federal Reserve might be reformed today in light of increased globalization, Sylla stated that the Fed now operates as something of a world central bank and does so successfully because of its strong leaders. However, should the Fed leadership deteriorate, conflict could arise with the rest of the world. The kinds of reforms that should be undertaken at the Fed in response to globalization are something about which we should all be thinking.

Sylla was queried about the experiments with new provisions in charters during the free banking era, such as double liability under New York's free banking act of 1838. He said that free banking resulted in much experimentation with chartering requirements. When asked about states giving up the right to seignorage, Sylla replied that states could still charge for chartering, receive stock in banks that were chartered, and tax banks. And, when asked to comment on the United States leadership in banking versus other countries such as Canada and Mexico, Sylla responded simply that the United States was way ahead of everyone else, with a remarkable, modern financial system.

Wallis's paper, "Politics, Governments, and Financial Markets or: What Can the World Bank Learn from American History?" is intended as a reply to a question that Mary Shirley asked Douglass North at a conference in 2003. When North maintained that "All successful modern economies are the result of 400 years of culture and history that shaped their development," Mary Shirley asked, "Does that mean that developing countries are doomed to wait 400 years before they get the right institutions and can develop?" Wallis says the answer is no. He argues that to the extent that the United States adopted British institutions to shape its financial sector, it adopted the wrong ones, especially with regard to incorporation, which tended to restrict entry and competition. Wallis suggests that in order to understand early financial development in the United States, our focus should be on state constitutions, which were revised dramatically in many cases during the early 19th century, rather than on the federal constitution, which tells us little about how the financial sector actually operates. He states that adopted constitutional reforms which encouraged open entry into banking fared much better over the 19th century than states that did not adopt such reforms. Successful reforms are more notable in New England and the Midwest than in the South, which consistently adopted bad institutions before the Civil War. The World Bank can learn from the United States experience by taking note that difficult problems in the financial sector were solved relatively quickly, but the solutions were to be found in changes that occurred at the state level rather than the national level.

The first question for Wallis was why weren't Federalist money institutions dismantled in the first decade of the 19th century as their opponents gained power. Wallis replied that the federal government was largely unable to implement economic policies, so states did so. In effect, there was a rejection of Federalist money institutions arising at the state level.

Wallis was then asked why the South had such peculiar institutions, and he responded that the South tended to stay true to feudal institutions, whereas the North had put in place a new institutional regime prior to the Civil War. Wallis argued that without widespread incorporation, especially in the financial sector, and without free banking, the United States economy would have been much like Great Britain's.

Wallis was asked what sort of counterfactual could be posed to test his argument. He stated that the counterfactual exists in the weaker economic performance observed in Europe over the 19th century, especially in Great Britain.

Finally, Wallis was asked to comment on how his work fits into the framework of classical liberal thinking related to Louis Hartz's work and the dichotomy which exists whereby economists maintain that politics corrupt economic institutions and historians and political analysts maintain that economic interests corrupt politics. Wallis asserted that these should be interconnected stories, where the creation of special interests rebounds on the economy, typically in negative fashion with the emergence of systematic corruption. The Whig solution to the problem was for the state to use its power to open entry so that economic development was promoted without the creation of special interests and consequent damage to the democratic process.

Personal Reflections

The Long Period Is with Us Every Day of Our Lives

By W. W. Rostow

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

Keynes commended to economists the dictum: 'In the long run we are all dead'. His most famous work, *The General Theory,* was framed by short period assumptions. I have held to the view that the long run is with us every day of our lives. That goes for both history and the active world of policy. It should be added immediately that Keynes practised his craft mainly in inter-war Europe where unemployment rarely fell below 10% and reached, say 25% or more in the Great Depression of the 1930s. It was natural for him to concentrate on the urgent problem of putting idle people to work. That required that he focus on the short-run demand factors in play, although he was thoroughly capable of speculating a hundred years ahead.[1] In our time, however, I am inclined to hold that my dictum better fits the case than Keynes's *bon mot* of the inter-war years.[2]

My commitment to the Marshallian long period means a commitment to take account of the short-run supply as well as the short-run demand factors in the life of economies, above all changes in population and the work-forces as well as technological change which lies at the heart of economic growth. But it means also taking account of non-economic factors as they affect the economy, as they often do; e.g., wars, the play of politics, non-economic factors which often can weaken or strengthen the will of peoples to absorb new technology. Thus my work at Yale and Oxford, requiring year-by-year, cycle-by-cycle analysis of the British economy, set me on this course both as an academic economist and as a public servant.

My direct answer to the question: What Economic History Means to Me is, therefore, quite simple: economic history has taught me that the long and short periods were, in modern economies and societies, always intertwined, and they are separated at great analytic cost. On the other hand, the introduction of long period factors requires increased complexity that must be faced in academic life and the making of policy. Mathematics is a first approximation and, sometimes a poor approximation of reality. As J. S. Mill wrote on the first pages of all six editions of his Principles: 'Except on matters of mere detail, there are perhaps no practical questions, even those which approach nearest to the character of purely economical questions, which admit of being decided on economical premises alone'.[3] Now that proposition was and is no news to economic historians. We make our living after all, mainly by studying long period factors: birth and death rates, technological breakthroughs and trends, institutional changes, development patterns through time, price trends and their causes, etc.

Malthus spoke for all of us when he and Ricardo probed vigorously but with great mutual respect, at their abiding difference.[4]

> The first business of philosophy [science]', said Malthus, 'is to account for things as they are ... Where unforeseen causes may possibly be in operation, and the causes that are foreseen are liable to great variations in their strength and efficacy, an accurate yet comprehensive attention to facts is necessary...

And down to about 1870 historians have had little to complain of so far as the classics in economics are concerned. The ties of David Hume and Adam Smith to history were direct and unembarrassed. And, with the partial exception of Ricardo - he was, after all, a pragmatic member of Parliament - the classics were in the spacious tradition of political economy, not in the tradition of the economics that succeeded it.

The change happened around 1870. Mainstream or orthodox economics ceased to trouble itself about economic growth and to focus on the precise distribution of income and the determination of price and output in an equilibrium, competitive market system. Essentially these systems were static; equilibrium was set in a short period framework, and it was therefore reversible.

This revolution did not capture all major economists of this period. The best of them - Alfred Marshall - not only contributed to so-called 'marginal' or 'utility' analysis but he dramatized that the ceaseless working of increasing returns rendered the favorite tool of the revolution - differential calculus - incomplete or non-operational. Therefore, Marshall concluded, economics should be a biological rather than a Newtonian science.

While mainstream economics went its merry way and dominated the university departments which began to appear in this era (1870-1914), economics not only narrowed, and became more elegant and precise, but it fragmented into new disciplines: demography; the history of science and technology including Schumpeter's innovations; welfare economics, which led to the first national income estimates; business cycle analysis; institutional analysis; and, of course, economic history. Economics has never recovered from this diaspora, even if the latter-day practitioners were located down the hall or on the next floor. Each specialty had its journal, its annual gathering, it's more or less mannerly inner debates. The only thing lacking was that they paid little attention to one another. There was little authentic dialogue between them.

Since I shall shortly make the case for reversing 1870, let me give you one example of what happens when a serious question is addressed only in short period terms. Economists focused in the Great Depression and then after the Second World War on a thoroughly legitimate question: was capitalism inherently unstable and, therefore, was radical government intervention required to achieve and to maintain full employment? Or was it inherently stable? There were three answers.

First, there were the pessimists who dominated the conventional expectations of the future immediately before and after World War II. They more or less accepted what was known as the Harrod-Domar model which refined that analysis in Keynes's *General Theory*. Essentially they argued that the capitalist system was on a knife's edge. It would not generate sufficient investment to achieve and sustain full employment and would have to be supplemented on the side of effective demand by governmental action to avoid falling off the knife's edge.

Then came the post-war period which saw full employment and prosperity in the 1950s and 1960s in the industrial world. Round about the mid-1950s, the economists caught up with reality by producing models that automatically self-adjusted to maintain full employment and steady growth. There was the Cambridge Mass. version which alleged that stability was achieved if one assumed the capital-labor ratio was variable: the substitution of labor for capital in depression, capital for labor in prosperity. Robert Solow, the father of this change of assumptions, concluded triumphantly:[5]

> [W]hen production takes place under the usual neo-classical conditions of variable proportions and constant returns to scale; no simple opposition between natural and warranted rates of growth is possible. There may not be - in fact in the case of the Cobb-Douglas function there never can be - any knife edge. The system can adjust to any given rate of growth of the labor force, and eventually approach a state of steady proportional expansion.

This doctrine was answered from Cambridge, England, by Nicholas Kaldor *el al.* Kaldor evoked a different change in the Harrod-Domar assumptions: a change in the proportion of income saved and spent in the course of the business cycle.[6]

> ...a rise in investment, and thus in total demand, will raise prices and profit margins, and thus reduce real consumption, whilst a fall in investment, and thus in total demand, causes a fall in prices (relatively to the wage level) and thereby generates a compensating rise in real consumption. Assuming flexible prices (or rather flexible profit margins) the system is thus stable at full employment.

Then came the sudden rise of wheat and, especially, of oil prices, in 1972-1973. There was immediately a rapid subsidence of the debate about stable growth[7] and a highly volatile world economy operated awkwardly for a decade or more.

I have gone through this story because all three models were, by assumption, set up in short period terms. In the two decades of relatively stable growth and full employment there was, in fact, both a continent to repair and an enormous flow into the world economy of inventive innovation and technology hitherto not applied. Moreover the industrial countries enjoyed a passage of favorable terms of trade (after 1951), to say nothing of the baby boom which lasted until about 1960 in Europe and North America. All these and other long term factors were ignored. A homeric generation of growth was debated by the reigning economist's in short period terms.

I have recalled this highly stylized history of our profession as a prelude to the second half of my paper which is about population in the twenty-first century, an urgent long-term problem of mortal significance. There are, in fact, an ample number of problems for the century ahead: social equity, privacy, the suppression of violence, the very fast technological revolution in the computer and the mapping of the genome - both driven as never before by rapid advances in basic science. But there is something special about what is going on in population. Not since the mid-eighteenth century has the human race faced, declining or, at best, stagnant populations. We stand right now between an almost universal decline of fertility and a foreseeable decline in populations. The gap is not long by a historian's standards. In fact, the decline in population has begun or will shortly begin in the former Soviet Union and Japan. Fertility is rapidly on the way down in more than 60 countries.

Here are a few statistics which show what is happening on a global basis. As background, a gross fertility rate of 2.1 (children per family) defines the replacement rate. Above that number a population rises in time; below, it falls. There is a general tendency of fertility (and, later, population) rates to correlate inversely with urbanization, income per capita, education, and the proportion of the population using modem methods of birth control (see Table I). These four determinants are obviously, to an important degree, related to one another.

Table I
Total Fertility Rate

	1970	1992	2000 (estimated)
Low Income Economies	6.0	3.4	3.1
Lower Middle Income Economies	4.5	3.1	2.9
Upper Middle Income Economies	4.8	2.9	2.5
High Income Economies	2.4	1.7	1.4
World	-	-	2.9

Source: Reprinted by permission from *World Development Report,1989* (New York: Oxford University Press, 1989), p. 216. Table 27.

There are a number of transitional countries, including some with large populations, whose fertility rates are rapidly decreasing; and a few already have fertility rates below 2.1 as shown in Table 2.

Table 2
Fertility Rates, Sample Transitional Countries

	1970	1980	1992	1999
Thailand	5.5	3.8	2.2	1.7
Turkey	4.9	4.3	3.4	3.0
Brazil	4.9	3.9	2.8	2.3
Mexico	6.3	4.3	3.2	2.8
S. Korea	4.3	2.6	1.8	1.7
Indonesia	5.9	4.3	2.9	2.7
India	5.8	5.0	3.7	3.3
China	5.8	2.5	2.0	1.8

Sources: The figures for 1970 and 1992 are from *The World Bank: The Development Report, 1998-1999,* Table 26. Those for 1980 and 1999 are from *The World Bank. Entering the 21st Century, World Development Report, 1999-2000,* Table 7, pp. 242-243.

Since the late eighteenth century, both birth rates and death rates have been falling; but the fall in death rates out-paced the fall in birth rates until the Great Depression of the 1930s. After the Second World War, however, world population rose sharply, due to the spread of the new antibiotics and the control of malaria. Birth rates have subsequently declined and converged with death rates almost irrespective of stage of growth (see Table 3).

Table 3
Death Rates, (excluding India and China), 1970 and 1992 (per thousand)

Countries by Income	1970	1992
Low Income	19	12
Lower Middle Income	12	9
Upper Middle Income	10	7
High Income	10	9

Source: Reprinted by permission from *World Bank Development Report 1989* (New York: Oxford University Press). 1989, p. 216. Table 27.

While the length of life in most countries has crept up, the circulatory diseases and cancer have thus far set a kind of limit to the fall of death rates. Africa south of the Sahara is a regional exception to the pattern with a fertility rate of 5.6, not far below the maximum.

Against this background, the overall long run estimates of peak global future population have systematically been falling. The medium figure now centers at about nine billion. At the edge of politics the future of welfare is being discussed or even acted upon, as the number of people in the working force declines relative to those retired. In the United States the age of retirement, for example, has been quietly raised by two years (from 65 to 67) and the question has been raised of putting a part of pension funds into private markets.

Meanwhile, Chinese leaders are publicly sharing the enormous calculated rise in the retired population: from roughly 10% of the total population in 1997 to 21% by the year 2030. We are talking about creating a safety net in 2030 for 339 million people.[8] But, none of the measures taken around the world thus far, including fiscal subsidies to having extra children, have stemmed the decline in fertility. The demographic forces now underway promise in time to engulf a good part of the world unless the population question moves away from the periphery to the centre of global politics; unless a positive vision of the future is agreed among the political leaders and peoples of the affected countries; and unless a policy capable of reversing the trend already so strongly underway, is mounted and sustained on a proper scale.

The vision is to attain (or in many countries to re-attain) a fertility level that will guarantee the replacement level of population (2.1). This should be backed by R&D and innovation which will in the short run, raise the productivity level per worker in the time of attenuation of the workforce; and for the long pull to reconcile a static population with a steady improvement in the quality of life and the standard of living.

The policy that is needed to implement this vision has three components.

1. *A time-buying programme* that will expand the workforce and its productivity during the period of decline of fertility and of rebuilding the workforce. The main components of this policy are: A) a rise in the retirement age. Those above 65 who are able should be induced to stay in the workforce. B) An increase in immigration can play an important role but has limits. A rise in income per capita plus a relative increase of the elderly population in the country exporting labor will reduce candidates for immigration. Politically significant resistance in the host country to 'excessive' immigration is already evident in a number of European countries. C) Increased training for the workforce of those now on welfare or in low-level jobs. This is not now merely a matter morality or of social welfare budgets, but am essential element in maximizing the size of the workforce. D) Increased labor-saving innovation, for example robots, will raise productivity and, in effect, expand the workforce.

2. *A consensus achieved by men and women* which will permit an expansion of the fertility rate to 2.1 for countries below that level; and, for those now above that level but falling, to achieve a leveling off at 2.1. This will require a kind of *de facto* treaty in which the women continue to expand their role in the workforce while families are provided with well-run nurseries (close to the place of work); pregnancy leave, for men as well as women, and men sharing more than they do now the tasks of the family and household. This non-economic and non-technical part of the task is the most difficult; but it runs with the grain of a world-wide trend.

3. *Acceptance, as a long- term goal, of a constant population with continued R&D and innovation.* This would not only permit a regular growth in income per head but an increase in the quality of society. This will require private and public investment and/or an increase in private consumption to fill the gaps of perhaps 50% in investment previously related to an increase in population - an unfamiliar problem, but one capable of solution. Incidentally, J.S. Mill suggested this formula a century and a half ago.

Returning to the central theme of this paper, I believe that it is time to reverse in spirit the revolution of 1870 and the diaspora which followed; to talk to one another at least; to work together if possible. The prospect for the twenty-first century is for dramatic, and hopefully related, changes in two major long period factors: technology and population. There is not much use in elaborating the technological possibilities if we do not solve the population problem. Ideally, the two revolutions should support one another. More broadly, it is now time for us to bring what we have learned in our several disciplines, in our time of separation, to bear on these grand long-term factors on which our destiny depends.

Walt Whitman Rostow (b. New York City, 17. 10. 1916) was educated at Yale University and was Rhodes Scholar at Oxford University. He served in the Office of Strategic Services and as a major in US army during the war. Taught at the Universities of Oxford, Cambridge and MIT, returning to government service as Deputy Special Assistant for National Security Affairs and in the Policy Planning Council, and as Special Assistant to the President during the Kennedy administration. He then taught at the University of Texas. Has written seminal works on economic growth and fluctuations.

[1] J. M. Keynes, 'Economic Possibilities for our Grandchildren' in *Essays in Persuasion* (London: Macmillan, 1931).
[2] Rostow, *Concept and Controversy: Sixty Years of Taking Ideas to Market*, mss., Chapter 13, p. I.
[3] Rostow, *Theorists of Economic Growth From David Hume to the Present* (New York: Oxford University Press, 1990), p. 94.
[4] Rostow, *Theorists*, p. 53.
[5] Rostow, *Theorists*, p. 335.
[6] Rostow, *Theorists*, p. 336.
[7] Rostow, *Theorists*, p. 333.
[8] Rostow, *The Great Population Spike and After* (New York: Oxford University Press, 1998), p. 203.

EHA Meeting *(Continued from page 1)*

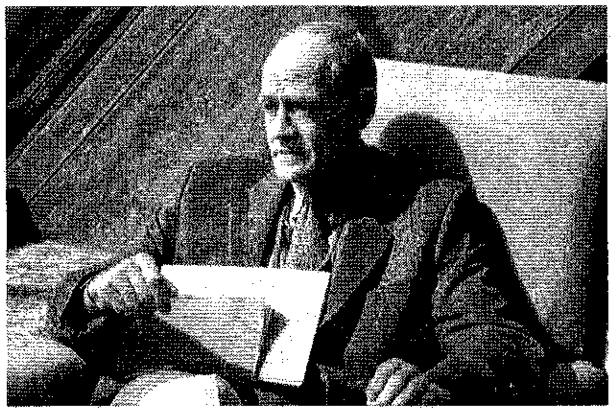
tanks and troops and obtains an estimate of the production function of a battle. He then backs out the non-monetary cost, or value, placed on an American troop. Rohlfs compares the share of troops and tanks used in different battles and calculates an estimate of the value that the military placed on a human life. His estimate of one to two million dollars per troop is consistent with other estimates. Robert Margo (Boston University) noted that Rohlfs does a great job of looking at the economics of defense, which has been an understudied field, but wanted Rohlfs to add more controls, such as commander fixed effects, and provide a detailed discussion of the variation in troop and tank inputs. Other participants were particularly interested in discussing the effectiveness of the American Sherman tank.

Graham Brownlow (Auckland University of Technology) ended the session with "Democratic Deficits and Fiscal Subventions: Economic Policy and Institutional Responses to Terrorism in Northern Ireland, 1969-1990." Brownlow studies the impact of terrorism on Northern Ireland economic policy and demonstrates that the economic effects of political violence depended on existing features of Great Britain's policy toward Northern Ireland. He also highlights the extent to which economic factors played a role in the stability of the Union Party and concludes that economic efficiency may not always be a wise choice in peacetime. Rosenthal read the comments of discussant Avner Greif (Stanford), who was unable to attend. Greif believes that the paper does an excellent job of showing how economic policy affects and is affected by violence; however, he suggested that Brownlow focus more on the question of how economic policy and government spending affects violence.

In the session "War Will Get You There," chaired by Alan Olmstead (UC-Davis), **Thomas Weiss** (Kansas) spoke on "War and the American Tourist," written with **Alka Gandi** (Lycoming College). They look at the ways in which the Civil War and World War I affected international and domestic tourism. Weiss and Gandi determine that while international tourism was generally not affected, domestic tourism was shaped by the two wars. Specifically, the investment that occurred during and after the Civil War created a number of new tourist destinations, most notably Gettysburg, which encouraged tourism. Michael Haupert (UW-La Crosse) asked whether tourism actually is profitable for the communities that attract it and encouraged the authors to measure the extent to which changes in technology affect tourism.

Alan Taylor (UC-Davis) continued with "Collateral Damage: The Economic Impact of War, 1870-2000," written with **Reuven Glick** (Federal Reserve Bank of San Francisco). The authors use the gravity model to measure the extent to which war hurts bilateral international trade. They find that war reduces trade by approximately 20%; moreover, trade does not tend to return to prewar levels for nearly ten years. Additionally, Taylor and Glick use existing estimates of the relationship between trade and economic growth and find that the indirect costs of war are on the order of magnitude of the direct costs of conflict that have been measured by others. Discussant Sukkoo Kim (Washington University) was impressed by the size and scope of the sample; however, he asked the authors to add controls for existing trading blocks and measures of the severity of war. Kim also pointed out that the welfare results are heavily dependent on the previous work of Frankel and Romer, which may not be correct.

Alex Field (Santa Clara) chaired the session on "Bombs, Germs, and Invaders," which opened with a paper by **Edward Miguel** and **Gerard Roland** (both Berkeley) titled "The Long-Run Impact of Bombing Vietnam." The authors use data on the variation in American bombing in Vietnam to identify the long-run effects of bombing. Miguel stated that, although they cannot address the overall effect on the country, they find no evidence of long-run impacts except on


Gary Libecap, newly installed president of the EHA

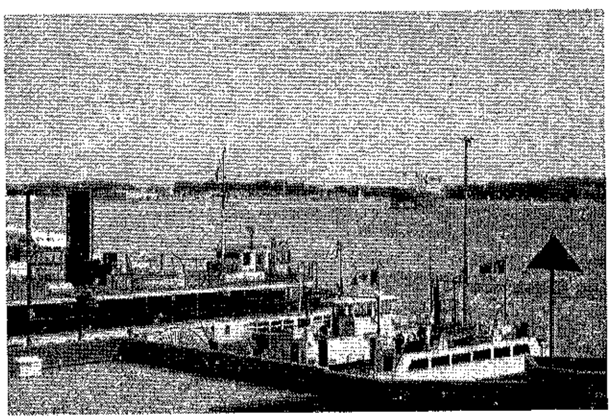
consumption growth. In his comments, Brandt thought that the analysis does not address well the issue of spill-over effects from one area to another, but this criticism relates to the macro-effects that the authors had acknowledged they were not able to address. Brandt also felt that the impact of institutional changes that occurred in 1988, as well as transfers to the bombed areas, may have swamped and eliminated the effect of bombing. In this case, there would be no long-run effect of bombing on the bombed communities, because other communities transferred wealth to these areas. One way to identify this would be to look at income rather than consumption.

Next, **Maristella Botticini** (Boston University and Universita' di Torino) talked about "The Black Death of 1348 and Wealth Distribution and Accumulation in Florence, 1250-1450." She explores the impact that the Black Death had on marriage markets in and around Florence and finds that, in the short run, the value of a dowry dropped substantially. Botticini speculates that the short-run change is due to the sharp increase in discount rates that one would expect to see at a time of plague. In the long run, however, the size of dowries returned to pre-plague levels. Munro noted the connection between this paper and the conference theme – many now think that European wars spread the plague across the continent. He also said that the size of families did not decrease much due to the Black Death and asked for a more clear description of the methods that Botticini used to construct prices for the period.

Finally, **Hein Klemann** (Erasmus University, Rotterdam) presented "Did the German Occupation (1940-1945) Ruin Dutch Industry?" in which he questions the previously held view that Holland was damaged considerably by Germany during the war. Klemann's data and results show that the Dutch population actually grew during much of the war. He recalculates industrial production numbers of both official and black market activities during the war and argues that although output shows a substantial drop at the end of the war, it recovered quickly after the war's end. Discussant Peter Lindert (UC-Davis) commended Klemann on the data collection that went into the paper but observed that the results and interpretation are very sensitive to this process. He asked for a more detailed discussion of the data collection process.

Aldo Musacchio (Harvard) opened the session on "Managing Political Uncertainty" with "Stock Prices, the Stock Market and the Cost of the Mexican Revolution," written with **Aurora Gomez Galvarrito** (Centro de Investigacion y Docencia Economics). Musacchio and Galvarrito measure the impact of the revolution on economic growth by analyzing the probability of survival of companies before and after the revolution. They also look at the change in the institutional characteristics of the Mexican stock market and its consequences in penetration and integration with stock markets in other countries. In her remarks, Juliette Levy (UC-Riverside) offered the view that we do not know much about the long-run effects of the revolution on growth and that this research is part of a crucial body of work on the economic impact of the Mexican Revolution. Levy suggested that the authors discuss the role that major players, such as J.P. Morgan, had on Mexican financial markets. Noel Maurer (Harvard) questioned whether the Mexican government's "attempts" to repay were really genuine. He remarked that the decision to turn the railroad over to creditors was a voluntary act and not a penalty for nonpayment.

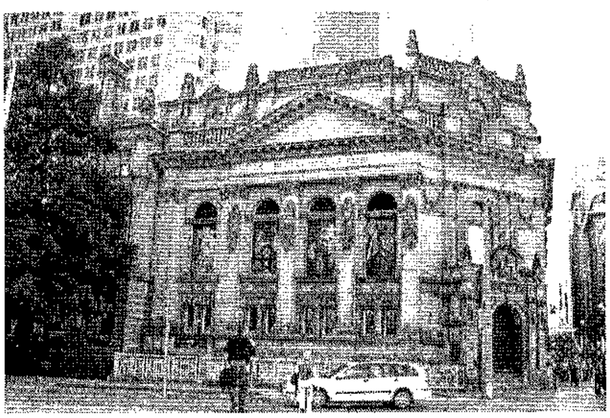
Eugene White (Rutgers) and **Kim Oosterlinck** (Universite Libre de Bruxelles) followed with "The Nazi Squeeze on the Capital Markets in Occupied France," in which they examine the methods used by Germany to extract financial resources from France during WWII. Germany used bond finance to raise funds, but when this failed, it used inflationary finance. White and Oosterlinck think that the burden imposed on the French economy was unsustainable and contributed to the rapid shrinkage of the economy. Discussant George Grantham (McGill) praised the authors for the clear account they provided, and he encouraged them to refine their measure of French



The Toronto Harbor

capital by testing different capital-output ratios. He also wondered about the effects of the British blockade and whether the war actually was sustainable from the German economic point of view. Albrecht Ritschl (Humbolt University) was curious whether it is correct to compare Vichy France to Germany in the repayment of war reparations. He argued that since Vichy France was occupied, its repayment history should be compared to other occupied countries, which also tended to have high repayment rates. Chris Hanes (Binghamton) wondered whether the Bank of France, and not the authors, had a better estimate of the cost of inflation.

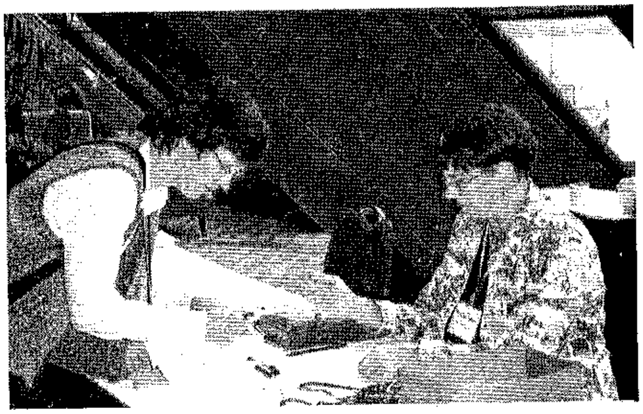
Mauricio Drelichman (British Columbia) closed the session with "Sons of Something: Nobility, Taxes and Local Political Control in Sixteenth-Century Castile." The Spanish petty nobility, the hidalguia, vastly increased in numbers throughout the 16th century. It is commonly assumed that the tax-exempt status of hidalgos was the main reason behind the desire for ennoblement. Drelichman uses tax roll data to show that while this was important, it is not sufficient to explain the vast majority of cases. He proposes that the preferential access to municipal offices enjoyed by nobles was an equally attractive benefit. Discussant Rosenthal liked the paper and noted similarities between Spain and France, where tax exemptions were sold by the government to nobility. Rosenthal encouraged Drelichman to think of Spain less as an exception and to look more closely at similar government structures, such as France. Susan Wolcott (Binghamton) asked about the repercussions of hidalgos being in control of the local government instead of commoners, and Akira Motomura (Stonehill College) wanted information about the costs and benefits of becoming a hidalgo.



Hockey and economic history: two of Canada's best exports

The session "What Makes Them Pay?" was chaired by William Summerhill (UCLA). **Chris Meissner** (Cambridge and NBER) presented "Original Sin, Default Risk, and Exchange Rate Depression," written with **Michael Bordo** (Rutgers) and **Marc Weidenmier** (Claremont McKenna College and NBER). They consider the impact of French demonitization of silver in 1876 on bond spreads in various European countries using a difference-in-differences approach and find that silver countries experienced a 262 basis point rise, on average, after French demonetization of silver. Their results indicate that openness to trade mitigated the harmful effects of this "original sin." Pierre Sicsic (Banque de France) agreed with their methodology but observed that demonetization actually had been practiced since 1873 and silver minting was not actually suspended until August of 1876. The authors responded that investors expected the change to occur in January 1876 as evidenced by an announcement to that effect in the "Economist."

"Clio and the Economics of International Currencies, 1890" by **Clemens Jobst** and **Marc Flandreau** (both Institut d'Etudes Politiques de Paris) offers a new measure of monetary geography. The authors constructed the measure by recording which foreign currencies were quoted in the financial markets for European nations. Jobst and Flandreau calculate a



Gillian Hamilton (l.) and Carolyn Tuttle(r.)

counterfactual estimate of what trade might have been like from 1900 onward had the effects of historical precedence been absent. Their results indicate that the pound sterling would have been the most important currency. They also find that historical precedence tended to help the French franc and that the United States dollar was more widely quoted in the counterfactual, mainly because the US was a new economy. Peter Rousseau (Vanderbilt) characterized the research as interesting and provocative. He suggested that the authors apply the same approach to modern data and compare the results.

Marc Weidenmier and **Kris James Mitchener** (Santa Clara University and NBER) continued with "Supersanctions and Debt Repayment." They focus on the use of supersanctions to clean up the economy of defaulting nations. The authors indicate that since the mid-19th century, lending countries have taken over portions of the economic and governmental mechanisms of defaulting nations. The average term of such "fiscal house arrest" lasted 11 years; moreover, only the defaulting countries who surrendered sovereignty for a time were able to borrow again later. Discussant William Summerhilll (UCLA) wanted the authors to separate their research into two different papers: one on trade and sovereign debt default and another on supersanctions and sovereign debt default. He further suggested that supersanctions would be better characterized as "armed coercion" by the lending countries. Stephen Quinn (Texas Christian University) asked whether countries that were part of the British Empire had supersanctions imposed on them. The authors explained that no one in the Empire defaulted on their loans for the time period included in their research.

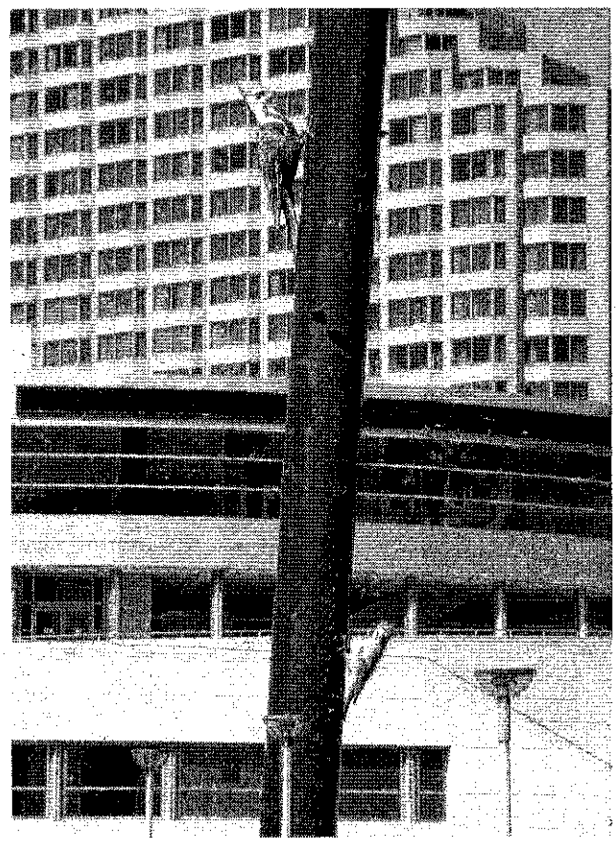
"Credit and Wealth Unterdenlinden," chaired by Kenneth Snowden (UNC), kicked off with **Timothy Guinnane** (Yale) reporting on "Regional Banks for Micro-Credit Institutions: 'Centrals' in the German Cooperative System before the First World War." Guinnane examines whether regional central cooperative banks arose as conduits for state aid or developed to provide money equalization. Money equalization could have occurred through two mechanisms. First, money could have flowed from areas of surplus to areas of deficit. Second, the cooperatives could have provided a sort of insurance against liquidity shocks.

Next, **Fabian Dell** (DIW) spoke on "Top Incomes and Wealth Shares in Germany: World Wars and the Shaping of Inequalities in Germany." He measures the extent to which economic recovery shaped the distribution of wealth inequality in Germany after WWI and WWII. He looks at long-run income and wealth inequalities using tax data; the long-term perspective offers better insights on the forces that drive inequalities. His findings highlight two factors that had markedly different effects on income and wealth distributions: the ways in which postwar debts were financed and the ways in which debt burdens were shared. Discussant Richard Sutch (UC-Riverside) applauded the Herculean effort required to assemble the tax data and remarked that the data could also be used for macroeconomic research. Ritschl tied the past to the present when he informed the session attendees that tax code reform was a big issue in the national elections in Germany to be held the very next day. He also compared the German tax code to Swiss cheese and confirmed that the data sources compiled by Dell gave detailed information about both sources of income and taxes paid.

On Friday evening, conference attendees and their guests were welcomed by the Lieutenant Governor of Ontario at the House of Parliament. The Lt. Governor gave a delightful speech at the reception, in which he modestly claimed that, since his job had no formal duties, he considered it to be the ideal position. He also shared a number of experiences gained in previous positions which were connected to historic events. One of the more notable stories was of his (unsuccessful) attempt to "turn Fidel Castro into a capitalist." Guests enjoyed the reception, the speech, the beautiful architecture and mosaics, and the fine art work displayed in the House.

Saturday morning began with a bang with the session, "Fight Now Pay Later, European Finance and War," chaired by Stephen Quinn. Philip Hoffman (Caltech) explored "Why Is It That Europeans Ended Up Conquering the Rest of the Globe? Prices, the Military Revolution, and Western Europe's Comparative Advantage in Violence." Hoffman asks whether military competition in western Europe delayed economic growth by diverting resources to destructive activities. He also wonders whether such competition resulted in spillover effects from the rapid technical improvements in the western European military sector. Quinn recommended that Hoffman explore alternative explanations rather than technology change for the decreases in prices of military goods. He said that the decline in the power of guilds could have had supply-side effects on prices. On the other hand, increases in the power of nation states could have had demand-side effects on prices. He further suggested that Hoffman compare and contrast Western Europe with Ghengis Khan in Mongolia.

Kirsten Wandschneider (Middlebury College) continued with "The Origins of National Debt: The Financing and Refinancing of the War of the Spanish Succession," written with **Ann Carlos** (Colorado) and **Larry Neal** (Illinois and NBER). The authors collected data on the distribution of holdings of the Bank of England and the East India Company and discovered that during the war, Britain incurred approximately 29 million pounds sterling in debt. Gelderblom thought that small holders may have used stock as a way

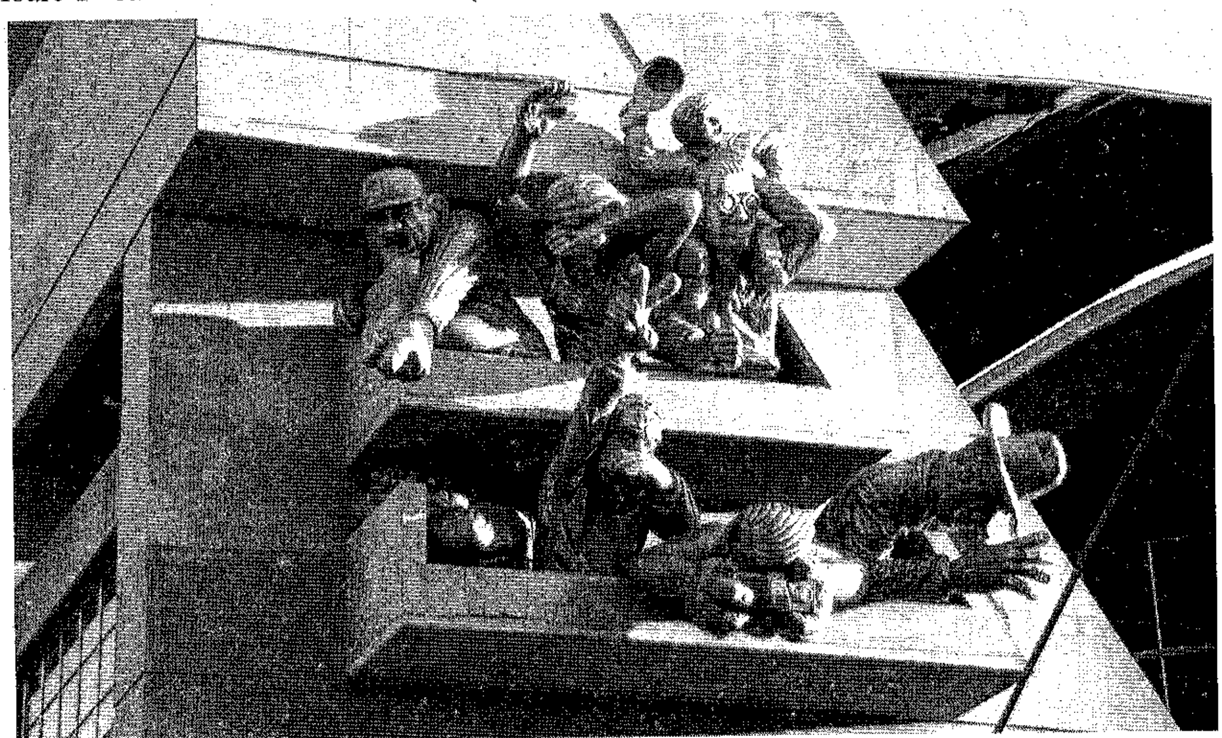


Giant Toronto woodpeckers

of storing debt. He also asked about data constraints on turnover volume and the total number of traders in the market. Neal responded that price volatility was not the only way to make money but that commissions also affected profits.

The conference wrapped up with "Credit Rationing and Crowding Out during the Industrial Revolution: Evidence from Hoare's Bank, 1702-1862" by **Peter Temin** (MIT) and **Hans Joachim Voth** (Pompeu Fabra and NYU). They explore whether government debt accumulation tends to slow growth through a misallocation of resources. According to Temin and Voth, borrowers pulled money out of Hoare's Bank during wars and put it into government debt. Although Hoare's Bank is not necessarily representative of its contemporaries, the bank records are among the few that recorded quantities and that also survive. Their results indicate that a government borrowing binge is associated with a slowdown in lending at Hoare's bank. Francois Velde (Federal Reserve Bank of Chicago) suggested that Temin and Voth use an HP filter to control for non-stationarity and trends in the data. Voth explained that the results were the same whether or not they use the correction. From the audience, Nicky Tynan (Dickinson College) asked whether borrowers made up a large percentage of the debt holders for the government.

Next year the EHA will return stateside, convening in Pittsburgh from September 15-17. President Gary Libecap (Arizona) will organize a conference around the theme "Frontiers and Institutional Innovation: Property Rights, Production Organization and Governance, and Political Structure." The program committee, charged with arranging the sessions and choosing the papers, will be chaired by William Collins (Vanderbilt), and the local arrangements committee will be spearheaded by Werner Troesken (Pittsburgh). A call for papers for the 2006 conference appears elsewhere in this *Newsletter*.



Famous Clioms immotalized on the Rogers Center facade

The Birth of the Economic History Association

By Michael Haupert

Before there was a Cliometrics Society, there was the Economic History Association. And before the EHA, there were a number of societies that economic historians could join but none that they could really call their own. The closest thing they had was the Economic History Society, founded in 1926 and headquartered in the UK. In the US, economic historians spread themselves out among a variety of associations according to their primary historical interests. Some of those societies claiming them as members were the Agricultural History Society (founded in 1916), the American Historical Association (1884), the Business Historical Society (1926), and the American Economic Association (1885). None of these precisely fit the bill, however. As a result, a movement began in early 1937 to establish an American organization that was dedicated to the study and teaching of economic history. Actually, two different organizations were formed to meet these goals: the Industrial History Society, organized in 1939, followed by the Economic History Association one year later.

The short-lived Industrial History Society (IHS) was formed by Herbert Kellar, historian at the McCormick Historical Association in Chicago. The IHS was largely a personal interest of Kellar's, who organized it as an act of self-preservation. The McCormick family had announced the previous year its intention to close the Historical Association. Consequently, the IHS was organized hastily. Kellar began planning it after the initial EHA discussions began and formally organized it a year earlier than the EHA. But it never really got off the ground, because the demise of Kellar's job was neither as swift nor as final as he feared. The McCormick Historical Association was not closed until 1949, and when it finally was, Kellar was hired to find a permanent home for the collection. When he found that home in 1951 at the University of Wisconsin's state historical society, he was hired as curator of the collection, a position he held until his death in 1955.

The early organizers of the drive to form an American version of an economic history society did so partly in response to the looming war in Europe, which was making travel and communication difficult with the English EHS. The publication of many European journals either ceased during the war years or mail service was so severely interrupted as to make the journals all but inaccessible to Americans. On the other hand, they felt it would be a mistake to rush into organizing an association as they did not want to weaken any of the existing societies related to economics and history. In addition, with a strong Harvard contingent among the steering committee, they also wanted to be sure to avoid the problem of a new association that appeared to be little more than an in-house promotional tool of the Harvard faculty.

The first hint of a move to create an American society came in a letter from Earl Hamilton (Duke) to Anne Bezanson (Pennsylvania) urging her to raise the issue of the formation of an American economic history association to her mentor, Edwin Gay, widely regarded as the most influential American economic historian of the first half of the century. Gay, who would ultimately become the first president of the EHA, was a well-respected figure in the field. He had retired from Harvard in 1936, where he had trained many of the current crop of economic historians, and was now located at the Huntington Library in Santa Monica, CA. Despite his distant location on the West Coast and his retirement from academia proper, he was still a dynamic force, widely considered to be the keystone to the creation of an American economic history organization. In his letter to Bezanson in May of 1937, Hamilton said, ". . . you and I know that he is the one man who would have a good chance to succeed in this difficult undertaking."

While the idea began to germinate in 1937, it did not blossom for another two years, primarily because Gay could not be persuaded to take an active role in its creation at the time. He was involved in other projects, and while he said he fully supported the creation of an American economic history organization, he could not work on it at present.

The ball really got rolling in the winter of 1939 with the formation of a steering committee chaired by Harvard economist and Gay protégé Arthur Cole. The other members of the steering committee included Herbert Heaton (Princeton), Hamilton, and Bezanson. They met at the AEA meetings in Philadelphia and laid the groundwork for what would eventually become the Economic History Association (after undergoing early name changes from American Economic History Association and Economic History Society). Cole took up the challenge of drafting a prospectus and set of bylaws for the fledgling organization. After much discussion among the executive committee and larger steering committee, comprised of a group of 20 of the leading economic historians of the day, a prospectus was drawn up and mailed out to 700 prospective members culled from American and Canadian universities, who, because of their current research, teaching interests, and/or membership in a history-related society, might be interested in an economic history association.

The EHA was initially organized as an informal society which charged no dues. Membership was based solely on a positive response to the initial prospectus mailed out in the spring of 1940. Over 400 scholars expressed an interest in the EHA. The first meeting took place simultaneously in two locations – as joint sessions with the American Historical Association in New York and the American Economic Association in New Orleans in December of 1940. It was at that time, and in a series of correspondences in the months that followed, that the EHA evolved into the society we recognize today. The decision was made to publish a journal, the first issue of which appeared in the spring of 1941, and to charge membership dues of $3.00 ($2 for graduate students) to defray the costs of the society and the publication and mailing costs of the journal.

Gay reluctantly agreed to serve as the first president of the EHA. He clearly had the skills to do the job, having previously served as president of the National Bureau of Economic Research from 1919-33, the American Economic Association in 1929, and the Agricultural History Society in 1934. His organizational skills, which were so eagerly sought, were well-known. He was cofounder of both the Harvard Graduate School of Business Administration, serving as its first dean, and the National Bureau of Economic Research. His academic career began with an appointment to the economics faculty at Harvard University in 1902, shortly after finishing his dissertation at the University of Berlin. He went on to become chair of the department, and more importantly for the future of economic history, a mentor to an entire generation of economic historians.

Paid membership in the first year totaled 313, increasing to 336 in 1942 before falling off to 293 in 1943, the only time it would ever be below 300. In fact, other than a membership of 311 in 1945, it would never fall below its inaugural number. After 1942, the membership grew pretty much steadily throughout the decade, peaking at 559 in 1949. However, as a percentage of total memberships, individuals steadily declined despite total membership more than doubling over the decade. This trend was a result of the dramatic increase in institutional memberships, comprised primarily of library subscriptions to the EHA.

Student memberships were inconsequential in the first five years of the Association, never accounting for more than 2% of total memberships and only cracking double digits in total membership at 14 in 1942. After the war, however, student interest exploded, increasing fourfold from 1945 to 1946 and nearly doubling again two years later. Student memberships climbed to 8% of the total in 1948 before leveling off at about 7% to close out the decade.

The Economic History Association became a trendsetter in 1941 when it held its first annual conference in September. The usual pattern was for academic societies to hold their conferences the week after Christmas. The steering committee wanted to avoid the prospect of competition with its potential members, many of whom held memberships with either the AHS or the AHA, both of which met during the traditional Christmas break period. In addition, most members were also members of the AEA, which regularly met over the break. The perfect solution seemed to be to move the EHA meeting to another timeslot. Early September was chosen because it was before classes started at most universities. It would avoid both competing with related societies and the glut of holiday meetings already crowding the calendar. The earliest discussions concerning meetings would also have avoided these problems. Originally, it was proposed that the EHA would not hold its own conference but meet jointly with the AHA one year and the AEA the next. In 1940, the EHA met jointly with both, but beginning in September of 1941, they struck out on their own.

The first EHA conference was hosted by Princeton University, September 5-6, 1941. Unlike present meetings, there were no concurrent sessions, and all papers were invited and subsequently published in a special issue of the *Journal of Economic History* titled the *Tasks of Economic History*, published in December. Similar to current association practice, papers were organized into sessions with commentators, and a banquet was held on Saturday night at which the president addressed the membership. Gay's address that first year, "The Tasks of Economic History," became the inspiration for the title of the supplemental issue.

One thing currently quite different from the first meeting of the EHA is the price of lodging. The first meeting, held at the Princeton Inn, featured rooms for $6 a night, including all meals, as well as the Saturday night banquet. Even adjusted for inflation, that is a reasonable $75 today, and for that price, you wouldn't get any hotel to throw in a banquet, much less three meals a day. Perhaps its time for the ultimate historian's dream – since we can't actually travel back in time, perhaps a throwback conference would be in order – where we just experience the prices of the original conference. With any luck, this idea will be picked up by one of the present members of the Board of

Directors. Just remember, if it happens, you heard it here first.

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Call for Papers

Economic & Business Historical Society Conference

Pittsburgh, Pennsylvania
April 27-29, 2006

The Economic & Business Historical Society welcomes proposals for presentations on all aspects of business and economic history at its 31st annual conference. The Society seeks proposals for both individual papers and panel sessions. Papers presented at the conference may be submitted for publication in the Society's peer-reviewed journal, *Essays in Economic and Business History.*

Final arrangements with the hotel are being concluded and the details will be posted in the very near future.

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. Submissions imply that at least one author will register for the conference and be present at the time designated in the conference program. **Proposals must be submitted by January 15, 2006** in one of three ways:

Online submission form found at http://www.ebhsoc.org/papers.html.
By e-mail to hsmvn@sunset.backbone.olemiss.edu.
Via conventional mail to:

Dr. Michael Namorato
Department of History
The University of Mississippi
University, MS 38677

Final arrangements with the hotel are being concluded, and the details will be posted in the very near future.

Call for Papers

Economic History Association Meetings

Pittsburgh, Pennsylvania
September 15-17, 2006

The Economic History Association will hold its annual meetings at the Omni William Penn Hotel in Pittsburgh, Pennsylvania from September 15-17, 2006. The Program Committee (William Collins, Chair; Ryan Johnson; Michael Haupert; and Zeynep Hansen) invite paper proposals on all topics of economic history for individual papers, as well as for entire sessions.

Many of the sessions will be focused on the conference theme, "Frontiers and Institutional Innovation: Property Rights, Production Organization and Governance, and Political Structure." The program committee encourages submissions that provide a historical or interdisciplinary perspective on the ways in which frontiers provide new opportunities and challenges requiring institutional innovation. Although the committee is interested in any paper that deals with frontiers and institutional change as broadly defined, it will also consider strong papers that are not directly related to the theme of the conference.

Interested scholars are requested to submit a 3-5 page abstract and a 150-word abstract (suitable for publication in the *Journal of Economic History*) online at the EHA website by **January 31, 2006**.

The dissertation session, convened by Carol Shiue (University of Colorado) and Melissa Thomasson (Miami University), will honor the top six dissertations in economic history completed during the 2005-2006 academic year. Due date: **May 31, 2006**.

The local arrangements committee is comprised of Werner Troesken, Karen Clay, and Siddharth Chandra. They look forward to welcoming us to their exciting city.

Graduate students are encouraged to attend. Travel and hotel subsidies, registration and meal discounts, and the possibility of scintillating conversation are all offered as enticements. For further information, please visit http://www.ehameeting.com, or contact Meetings Coordinator Carolyn Tuttle at tuttleeha@lfc.edu.