THE CLIOMETRIC SOCIETY

Vol. 30 No. 1

Summer 2015

NEWSLETTER

The Newsletter of

The Cliometric Society

Summer 2015 Vol 30 No. 1

Table of Contents

The Newsletter of the Cliometric Society

Editor: Mary Eschelbach Hansen
Graphic Design: Ben Gregson
Editorial Office: Department of Economics, American University, 4400 Massachusetts Avenue NW, Washington DC 20016

Send contributions to mhansen@american.edu

The 2015 Cliometric Society Conference

The 2015 Cliometric Society Conference

*Reported by Suchit Arora (Ohio State Univ.), Celeste Carruthers (Univ. of Tennessee), Alex Chernoff (Queen's Univ.), Fan Fei (Univ. of Michigan), Michela Giorcelli (Stanford), Joshua Lewis (Univ. of Montreal), Cong Liu (Univ. of Arizona), Johannes Norling (Univ. of Michigan), Edith Ostapik (Univ. of Michigan), Ellis Tallman (Oberlin College and Cleveland Fed), and Eric Yan (*Academia Sinica)

Edited by Mary Eschelbach Hansen

The 2015 Cliometric Society Conference convened in Ann Arbor Michigan the weekend of May 15 through 17, 2015. The Program Committee [Martha Bailey and Hoyt Bleakley (Univ. of Michigan), Michael Haupert (Univ. of Wisconsin-La Crosse), Sumner La Croix (Univ. of Hawaii), Carolyn Moehling (Rutgers Univ.), and Werner Troesken (Univ. of Pittsburgh)] selected 12 stimulating papers for the participants to discuss over the three days.

The weather cooperated nicely with the plans of the Local Arrangements Committee [Martha Bailey, Paul Rhode, Elyce Rotella and Veronica Santarosa (all Univ. of Michigan)]. Special thanks to Elyce Rotella, who both did what her colleagues described as "a ton" of work. Participants appreciated her efforts to make them comfortable, including her sacrificing a nice bowl from home for the break room. Thanks, too, to Martha Bailey, who opened her home to all. And, a special shout-out to the Michigan graduate students—Edith Ostapik, Morgan Henderson, Eleanor Wilking, and Jacob Bastian—who made things go more smoothly by rescuing the lost, feeding the hungry, and uncountable other jobs that often go unnoticed.

The Society thanks the sponsors who made it all possible: The National Science Foundation Grant Number (SES 1061697 and SES 1357315.), the Michigan Institute for Teaching and Research in Economics, the Office of *The Journal of Economic History*, and the following UM faculty and staff: David Lam (Chair, Economics Department), Mary Mangum (Administrative Manager, Economics Department), Lai Tut (Meeting and Event Coordinator, Economics Department), Ryan Kellogg (MITRE Chair, Economics Department).]

Administrative support for the conference from the Univ. of Hawaii came from Wayne Liou (Conference Coordinator and Book Editor), and Kai Zhou (Financial Coordinator). Last but not least, eh.net support was provided through the Univ. of Arizona's Price Fishback, and the always-helpful Lana Sooter.

Michela Giorcelli (Stanford Univ.) opened the conference with "The Effect of Management and Technology Diffusion on Firm Productivity: Evidence from the U.S. Marshall Plan in Italy." The United States Technical Assistance and Productivity (USTA & P) program provided management and technology training to Italian firms between 1952 and 1958. Because of budget shortcomings, less than one quarter of applicants were selected. Giorcelli uses the *province* and application date of firms as plausibly exogenous variation in USTA & P participation to examine the effect of management and/or technology diffusion on the productivity of participants. USTA & P participation increased total factor productivity and reduced exit rates, particularly among firms receiving management training. Productivity gains rose over at least twelve years.

One part of the discussion revolved around selection into the program and the nature of treatment. **Ann Carlos** (Univ. of Colorado) questioned whether boundaries may have been drawn to exclude or include particular regions or particular firms from eligibility. **Aidan Kane** (National Univ. of Ireland-Galway) asked if prospective applicants would have been concerned about exposing their balance sheets to scrutiny. **Lee Alston** (Indiana Univ.) wondered whether Italy's "family firms" were given special treatment, and **Paul Rhode** (Univ. of Michigan) suggested some forensic accounting of the "crookedness" of finances among treated versus untreated firms. Lee Alston and **Nicolas**

Ziebarth (Univ. of Iowa) wished to know more about the managerial strategies that participating firms might have learned from their U.S. trainers. **Noel Johnson** (George Mason Univ.), **Alex Chernoff** (Queen's Univ.), **Elyce Rotella** (Univ. of Michigan), **Peter Lindert** (Univ. of California-Davis), and **Dan Bogart** (Univ. of California-Irvine) suspected that selection into the program may have had secondary benefits in the form of new connections in the United States, preferential financing, learning by importing, or favored treatment by the Italian government.

A second thread of the discussion involved spillover effects (or lack thereof) and external validity. Regarding spillover effects, **Hoyt Bleakly** (Univ. of Michigan) wondered if rival firms were able to poach newly trained managers. Following up, **Vincent Bignon** (*Banque de France*) noted that since treatment effects grew over time, it would seem that the control group remained relatively – and curiously – uncontaminated despite the passing of twelve years. Joshua Hausman (Univ. of Michigan) raised the external validity question: Would Italy be 30 percent richer if all firms had participated? To that point and others before it, Noel Johnson wondered if the evident benefits to treated firms were in part a reflection of competitors in the control group faring poorly.

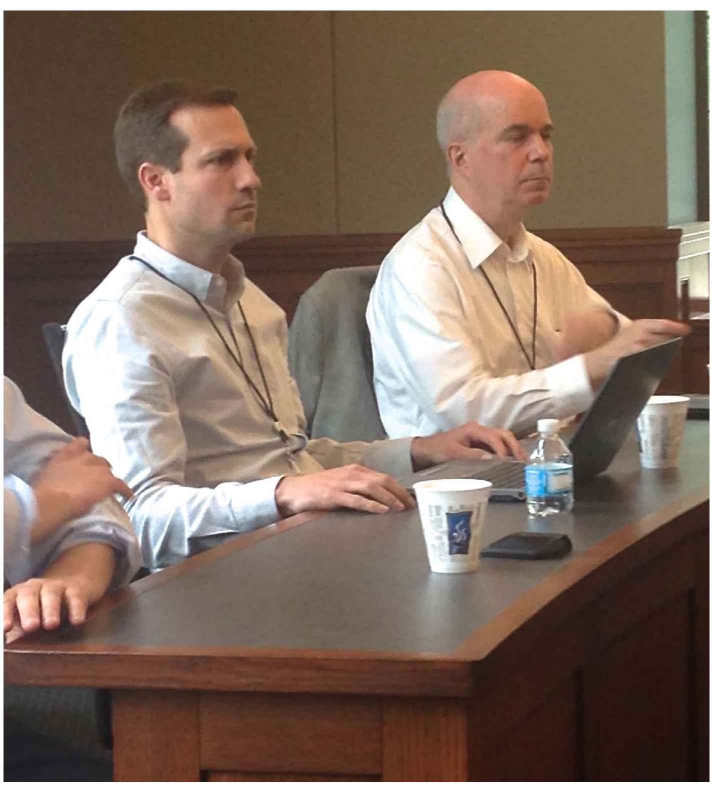
In "Liquidity Risk, Bank Networks, and the Value of Joining the Fed" co-authors **Haelim Park** (U.S. Treasury), **Charles Calomiris** (Columbia Univ.), **Gary Richardson** (Univ. of California-Irvine), and **Matthew Jaremski** (Colgate) investigate the factors that determine why a state chartered bank would join the Federal Reserve System in its early years. They use data from a sample of state banks and trust companies in New York state from 1914 to 1920. They find that banks that were members of clearing houses and banks that were listed as correspondent banks were likely to join the Fed. Further, banks with high seasonality of demand for loans joined the Fed earlier than others. Banks in close proximity to Fed members were less likely to join.

Only eight percent of state-chartered banks joined the Fed in its first 10 years but over 30 percent of the New York state institutions in the sample under study became Fed members.

First timers gather for the traditional group picture.

That poses a problem for the generality of the findings, a point emphasized by Lee Alston, who also emphasized that in order to get at the value of joining the Fed the paper must include information the economic make-up of a bank's area. Paul Rhode suggested that the authors provide evidence of external validity for studying only banks in New York. Comments focused on "unpacking the fixed effects" to uncover whether information about outliers - banks that joined the Fed and should not have or the reverse - could be informative. Elyce Rotella asked for a more formal specification for the banks' decision to join the Fed, and see if it might be similar to a clearing house adoption decision. **Michael Haupert** (Univ. Wisconsin-LaCrosse) queried whether there were competitive advantages to joining the Fed and Dan Bogart asked if banks that joined signed up for rigorous regulatory policies. Aidan Kane wondered whether data indicate the *position* of the banks in a network, perhaps suggesting an alternative research direction. Finally, **Sumner LaCroix** (Univ. of Hawaii) suggested that the authors investigate whether another distribution might characterize the choice more effectively than logistics.

Taking a different path, Nick Ziebarth asked about the characteristics of the bank Boards of Directors: Did banks with older board members join and younger boards not?



Deep concentration.

Elyce Rotella asked whether a bank with a less diverse portfolio might join the Fed as a substitute for diversifying. **Carl Kitchens** (Florida State Univ.) argued that the entry of new banks (obviated by restricting data) could evoke portfolio changes in existing banks, thereby posing an identification problem for isolating the effects of the membership in the Fed on portfolio composition.

Cong Liu (Univ. of Arizona) exploits the trade blockade caused by World War I to study the impact of trade shocks on the relative income gap between agricultural and manufacturing sectors in "Distributional Effects of Trade Shocks: Evidence from China in the Early 20th Century." World War I in Europe severely limited imports into China, which prompted the industrialization of coastal areas. She finds that the wage-rental ratio rose during and after World War I between coastal and inland regions.

Several participants had questions about the definitions of "coastal" and "inland." For example, **Chris Vickers** (Auburn Univ.) suggested treating inland (river) ports separately; **Fan Fei** (Univ. of Michigan) wondered how the ports in the data were chosen and whether the results were sensitive to the selection of ports; **Brooks Kaiser** (Univ. of Southern Denmark) suggested trying shipping cost (instead of straight-line distance) as a robustness check. Dan Bogart and Alex Chernoff were surprised by the magnitude of the change in wage-rental ratio and suggested more scrutiny of it. People were also concerned about the assumptions of the model, to which Peter Lindert and **Werner Troesken** (Univ. of Pittsburgh) suggested using co-movement of prices on textile goods, cotton, and tea (or rice or silk) to help support the dichotomy of agricultural economy and the rest. Lindert also suggested that, given that absentee landlords were rare in East Asia, the usage of rental-wage ratio as a measure of inequality might not be as fitting as in other settings. Paul Rhode (Univ. of Michigan) argued that land value was conceptually very different from the concept of "rental value" in the model, so the usage of land value data might be troublesome.

Dan Bogart shows off his award.

Dan Bogart (Univ. of California—Irvine) presented " 'There Can Be No Partnership with the King': Regulatory Uncertainty and Investment in the English East India Company." The paper explores the effect of capricious regal public finance on international business during the dawn of the British Empire. His motivation is to find a relationship between changes in trade patterns and changes in the regime. He finds that growth in shipping slows whenever there was a regime change, and growth of shipping also depended on *who* was in charge. The paper focuses on the experiences of the English East India Company, which had a conditional monopoly on shipping between England and Asia during the 17^{th} and early 18^{th} centuries.

Dan's paper launched a thousand questions, and his lengthy responses garnered him the coveted Most Voluble Presenter prize: a stick of "Michigan" lip balm. **Laura Salisbury** (York Univ.) wondered how much uncertainty about regime change uncertainty would be, especially if the monarch dies of natural causes. She was assured that there would still be uncertainty over whom to bribe in the new king's coalition. Carl Kitchens pointed out that the EEIC was like a utility, and Werner Troesken asked what the effect of the demise of a close relationship on the king would be on welfare. To answer these queries, Dan provided two case studies: the monopoly's end in 1813 and the interloper incident of the 1690s. Vincent Bignon suggested war would be a good source of uncertainty, and Dan responded with a future study of stock returns during the Seven Years War, possibly the Anglo-Dutch War but most definitely not the Wars of Spanish and Austrian Succession, warning that he would need better naval data to do a proper cost/benefit analysis of the wartime loans forced upon shipping companies by the monarch.

Veronica Santarosa (Univ. of Michigan Law) asked about the strategies people used to deal with uncertainty. Dan advised her that a key was to pack the House of Commons—as was done in 1813. **Andrew Odlyzko** (Univ. of Minnesota) brought the discussion to the present, drawing parallels between the EEIC and defense contractors such as Lockheed Martin. He asked how much regulatory uncertainty would present when one is considering entities that are "arms of government." **Celeste Carruthers** (Univ. of Tennessee) suggested using Dutch companies as placebos. **Benjamin Chabot** (Chicago Fed) struggled with the measurement of welfare effects and ultimately suggested using return on risk-free assets to see if there was a "flight to quality" during periods of uncertainty. **George Boyer** (Cornell Univ.) suggested that the real regime changes might be in the offices of Treasurer and Chancellor rather than King.

Mindy Miller (United States Naval Academy) launched a discussion of ship size with her award-winning comment: at home in the port of Annapolis she watches the ships passing through and she's noticed "sticky tonnage technology." Would that be a concern during the period of this study? Reply: Only after 1780. Vincent Bignon mentioned the effect of pirates on ship size, and Ann Carlos was able to name two types of ships. Thusly revved-up, Carlos went on to suggest writing a complementary and comparative paper contrasting the experiences of the EEIC with the Royal Africa Company.

Jessica Bean (Denison Univ.) presented "Women's Work and Wages during the First World War in Britain." She examines the demographic characteristics and the industrial distribution of female workers before, during, and after the war. There was a shift into clerical work and out of domestic service after the war. Among college-educated women there was a modest increase in female employment in chemistry and engineering related industries. Munitions factories hired and paid more to women, while educated females earned higher annual salaries in the positions of clerks, chemists and welfare supervisors in factories. However, the wage gap between male and female workers fell very little in several industries during the war.

Martha Bailey (Univ. of Michigan) asked Jessica to describe the dynamics of female labor supply and female labor demand by using data on wages and employment. **Joanna Short** (Augustana College) was interested in the average years of schooling in Britain. Reply: Women, on average, left school at age 14. Vincent Bignon asked about what made women spend less time on home production. Aidan Kane was curious about whether the intertemporal consumption behavior of females was affected by their unexpected income during the war times. Alex Chernoff suggested that Jessica compare women's mobilization and post-WWI employment across various British colonies.

To find out why chain store retailers fared better than independent grocery stores, co-authors **Nicholas Ziebarth** (Univ. of Iowa), **Chris Vickers** (Auburn Univ.), and **Emek Basker** (Univ. of Iowa and NBER) focus on the supply-side advantages of chain stores: greater productivity, lower wages, lower inventory holdings, and lower rent-to-expense ratios. Presented by Chris Vickers, "The Economics of Innovations in Retailing: The Case of Self-Service," or, "What Killed the Independent Grocery Store? Lessons from the 1929 Census of Distribution," prompted comments and questions that fell into three main categories. The first category (expressed by Brooks Kaiser, Joshua Hausman, Lee Alston, Werner Troesken, **Susan Carter** (UC-Riverside)) was that the paper needed to address the demand side picture: did the chain stores do better by carrying specific products or product-mixes, making such stores a place for, say, one-stop shopping? What were the margins for the goods such stores were able to supply? Did they outperform independent grocery stores on niche as well as generic goods?

The next set of questions (by **Warren Whatley** (Univ. of Michigan), Dan Bogart, and Noel Johnson, **Trevon Logan** (Ohio State Univ.)) were about other potential sources of advantage on the supply-side: strategic multiple locations to reach more shoppers; centralized advertising and marketing, making them more widely known to consumers; and economies of scale from centralized inventory management, standardized floor plans, transportation, and distribution. Troesken pointed out that scale economies could have mattered especially in less densely populated areas, where even minor price differences across retailers can be critical to commercial success (hence, an example of how the paper could benefit from modeling the underlying local demand). Finally, several participants wanted a model of retail price competition (Vincent Bignon, Lee Alston, **Taylor Jaworski** (Queen's Univ.)). A desirable model would enable more incisive inferences, and the authors could potentially take a stand on FTC's investigation at that time, which had emphasized "market power" of chain stores.

Taylor Jaworski (Queen's Univ.) presented "World War II and the Industrialization of the American South." The paper uses newly digitized establishment-level data for facilities constructed in the South between 1940 and 1945. The empirical analysis compares the post-war outcomes of Southern counties that received varying levels of World War II government investment. The effect of World War II investment on industrialization was small and short-lived. The result is robust to the inclusion of variables that control for pre-war suitability for war production, and other factors that may have influenced industrialization in the South.

Hoyt Bleakley noted that the nature of war-time investments may have been unsuitable for industrial production in the post-war era.

Bleakley noted that just as Liberty ships were not designed to last beyond the war, the Quonset huts used in war time production may have had limited industrial use after the war. Elyce Rotella and **Edson Severnini** (Carnegie Mellon Univ.) questioned how the political economy may have influenced the nature and location of investment. This political economy discussion produced one of the most memorable quotes of the conference when Rotella suggested that Jaworski had not "cited the right Wright." Another part of the discussion focused on labor supply. Jessica Bean asked if there was adequate labor supply at the newly constructed facilities, while Laura Salisbury and Elyce Rotella initiated discussions about migration and the racial composition of labor. Other participants inquired how the state of transportation infrastructure in the South affected the relationship between investment and industrialization. Dan Bogart asked about highway infrastructure, while Pamela Nickless (Univ. of North Carolina – Asheville) pointed out the concentration of investment along railroad lines.

Joshua Lewis (Univ. of Montreal) closed the second day of the conference with "The Value of Rural Electricity: Evidence from the Rollout of the U.S. Power Grid." The paper, co-authored with Edson Severnini explores the effect of electrification on economic activity. Many rural areas in the United States gained access to electricity between 1930 and 1960. The expansion of electrification led to increases in agricultural productivity and rural welfare, but to a contraction in urban industry, population, and home values. The authors use the timing of power plant openings to overcome endogenous nature of the rollout of the electric grid. The paper demonstrates that the return to electricity infrastructure improvements likely far outweighs its costs.

The paper sparked a lively discussion. Several audience members commented on the large magnitude of the findings in the paper. Hoyt Bleakley recommended balancing tests, Josh Hausman asked why farmers didn't already own generators, and Dan Bogart asked whether effects are so large because electricity is a bundle of interventions. Andrew Odlyzko (Univ. of Minnesota) asked whether a high willingness-to-pay was a reflection of farmers' large non-monetary incomes. Trevon Logan remarked that electric appliances often didn't initially lead to time savings for women, Jessica Bean recommended exploring time use surveys, and Susan Leonard (Univ. of Michigan) noted that gas-powered washing machines pre-dated electricity in many areas. Kenneth Sylvester (Univ. of Michigan) asked how expensive it was to extend the lines in the west.

Elyce Rotella running the show with Sumner La Croix.

Joanna Short (Augstana College) opened the Sunday sessions with "The Effect of the 1918 Influenza Pandemic on Demand for Life Insurance among U.S. Working-Class Families." She studies whether the sharp rise in mortality among young adults caused by the pandemic led to increased demand for life insurance. Using individual-level expenditure data, she finds no evidence of a broad surge in demand following pandemic, although she uncovers differential effects based on the type of insurance. In particular, demand for industrial policies – which typically covered funeral costs – rose by eight percent in the months after the pandemic.

Is this skepticism on the faces of the Clioms?

One part of the discussion focused on the role of World War I in the demand for life insurance. Ann Carlos and Alex Chernoff wondered whether the effect of the pandemic could be distinguished from the end of the war and the return of many family breadwinners. **Suchit Arora** (Ohio State Univ.) suggested that the empirical analysis could exploit regional variation in flu severity to get at this issue; in particular, he noted that “not enough people were dying in the Northeast.” A second strand of comments centered on household spending behavior. Werner Troesken and Nicolas Ziebarth encouraged Short to exploit the detailed expenditure data to assess whether insurance substituted for other consumer purchases. Laura Salisbury asked about how insurance policies were priced, and Brooks Kaiser wondered whether life insurance was bundled with home insurance. A final part of the discussion focused on selection issues. Carl Kitchens asked about insurance eligibility requirements. Joshua Hausman wondered whether those most likely to purchase insurance died in the pandemic, noting that indeed his question was somewhat morbid.

In the second session on Sunday, **Trevon Logan** (Ohio State Univ.) presented “Segregation and Lynching,” which is co-authored paper with **Lisa Cook** (Michigan State Univ.), and **John Parman** (College of William and Mary). They use a new measure of residential segregation based on individual-level census data to examine the relationship between racial segregation and racial violence. Racially segregated environments in 1880 were much more likely to experience lynching and to have more lynching.

A major part of the discussion was about the measures of segregation and lynching. On segregation, Mindy Miller pointed out that there were several types of segregation in different cities and also in rural areas. Alex Chernoff and Warren Whatley suggested the speaker to use more geographic information, such as address. Lee Alston noted that the segregation measure captured where people lived, yet where people worked could also be important. On lynching, Noel Johnson suggested the authors use modern crime data as a robustness check. Martha Bailey pointed out that lynching might be under-reported and suggested that mortality data could provide a robustness check. A secondary part of the discussion was about the regressions, including potential endogeneity and the interpretation of the results. **Johannes Norling** (Univ. of Michigan) suggested the authors use railroads as an instrument.

Alex Chernoff closed the conference with his presentation of "Firm Heterogeneity and the Gains from Technology Adoption: Theory and Measurement." The paper develops and estimates a model of technology adoption with firm heterogeneity. A fixed cost of adoption results in the prediction that only the most productive firms end up adopting the new technology. The model is used to derive a sufficient statistic to measures the reduction in price in response to the adoption of the new technology. The empirical part of the paper estimates the structural parameters of the model using 19th century firm-level data on steam power adoption in Canadian manufacturing. Using exogenous variation in the stream flow accumulation and precipitation as instrument for the adoption of the new steam power technology from the old water power one, the author estimates that the adoption of steam power increased firm labor productivity by 75 percent and reduced the price index of manufactured goods in Canada by eight to 13 percent.

The first part of the discussion regarded the theoretical model. Paul Rhode suggested a model with three technologies: hand (or animal) power, waterpower, and steam power. Taylor Jaworski and Edson Severnini asked whether firm agglomeration effects could be inserted in the model. Elyce Rotella wondered if the model takes into account any economies of scale that might have played a role in the adoption of steam power. Finally, Andrew Odlyzko proposed to incorporate transportation costs into the model.

The second part of the discussion focused on the empirical strategy and, in particular, on the instrument choice. **Wayne Liou** (Univ. of Hawaii-Honolulu) and Dan Bogart argued that precipitations might simultaneously affect the adaption of steam power technology and goods prices, given the complementarities between agriculture and manufacturing sector. Chris Vickers, Sumner La Croix, and Trevon Logan suggested using a control function in the second stage of the IV estimations since the first stage estimates a probit model. Werner Troesken investigated to what extent the results on productivity might be driven by firms that exited the market. Finally, Dan Bogart and **Kenneth Sylvester** (Univ. of Michigan) proposed to look at heterogeneity across sectors and across firm ownership. ■

Peter Lindert chairs Jessica Bean's session.

2015 Wolverine Warbler

The Warbler arrived in Ann Arbor resplendent in his maize and blue. Not since high school (where his colors were also, coincidentally, maize and blue – though back in those days maize was just called yellow) had he adorned the colors. It brought back pleasant memories of a good seven years. Despite the construction and the constant threat of inclement weather, the Warbler, like the rest of the gathered brethren, was ready. Ready for what, he was not sure, but he was dressed resplendently, so he felt ready.

The Warbler's sole function at these annual gatherings is simple: don't screw up. Back in the old days, before there was a Facebook and when phones were attached to walls, the Warbler's forbear, the obsequious Mullah, established an award to recognize the declaration made during the annual gathering that was both profound and universally true. The only requirements for the award were that said declaration had to be made spontaneously. No premeditated, planned, or carefully considered contrivances allowed. The mullah had, and his humble followers have, no interest in statements made with careful consideration.

It all began in 1987 when She-who-won thrice-and-is-now-forever-banished-from-winning-again, warned us to "never open a can of worms larger than the universe." As far as the Warbler knows, such a can has never been opened – undoubtedly because Clioms ever since have memorized this one piece of advice passed on at each conference. If they learn nothing else, young Clioms learn to follow this advice from their intellectual ancestors.

While cans and worms are no longer issues for Clioms, there are other warnings, bits of wisdom, and astounding observations that we have shared with one another that have been honored over the years. In the not-too-distant past we have been told that "people want to reproduce themselves, and go to the grocery," and we have been pacified with the advice that when all else fails, "you can fix it with women." Just last year the False Floridian reminded us that "if you're alive on April 1st, we know you didn't die."

The damp air in Michigan did little to dampen the enthusiasm of the gathered masses, and even less to improve their ability to avoid eyebrow-raising exclamations. For ease of accounting, the Warbler was forced to categorize the entries this year. In the first category, which he entitles "I never read the literature but why should that stop me" (or "over the deep blue seas") he heard m&m say that "my question is based on the fact that I drive by ships on my way to work every day." The Warbler was relieved to know that is all it takes to be an expert. He now feels much better about the creative tax returns he files each year, since he drives by H&R Block on a regular basis. Continuing with the nautical theme, The Wizard of Forbes Avenue revealed that "I don't know anything about ships, but I have a theory about them." This also made the Warbler feel more confident about himself. Except for the words "about ships" that pretty much describes his life.

It wasn't just what Clioms had to say that raised some eyebrows, it was the way they explained what they had to say. For example, The Duchess of York equivocated, saying: "I'm not sure this is a good question, so I'll ask it quickly." The Warbler was initially confused, then impressed, then was about to switch to confusion again, but before he could do so…the question had been asked. Without time to figure out what he should be, the Warbler just skipped the whole issue. But the Wiley Old Wolverine later provided him with plenty of time to cogitate when he gave the speaker a break by telling him that "my question is long and drawn out, so I'll answer it myself." It was the only question of the weekend that was satisfactorily answered.

The finalists for this year's award go to The New Hoosier who demonstrated his vast knowledge of the intricacies of gastronomic history by informing us that "in my hometown the grocer sold raw goat's milk: in Prague you can get a beer at McDonald's." As appealing as the mix of history and comparative studies might be, and as profound as that observation obviously is, limiting it to Prague and some random town in the Midwest disqualifies it from being universally true.

Also worth considering down to the bitter end was the Bean Counter's declaration that "two paid women are worth fifty volunteers." Her observation was based on wartime Britain, for which it may have been true, but depending on the exchange rate, the Warbler is not so sure that it is universally true.

The final oh-so-close-to-immortality entry is from Ye Olde Reckoner, who reminded all present that "monkeys are never used for manufacturing." This was indeed profound, and coming from such a wise Cliom, could it be anything less than true? Universally true? Mesmerized, the Warbler spent much time considering it, but then was distracted by his own thoughts . . . and eventually he decided that since monkeys apparently are very skilled at agricultural work, Ye Olde Reckoner's observation failed to meet the criteria of profundity.

And finally, the winner. The gold standard of utterances. That which will be remembered in perpetuity. Or at least until next year when something better comes along. During a discussion of household technological advances (or perhaps it was during an episode of "This Old House," the Warbler cannot be certain), the gathered were regaled with tales of wondrous gadgets that saved many a homeowner many an hour of drudgery. The most impressive of these was a gasoline-powered, bread-kneading, washing machine. The Warbler was convinced that this was the single most impressive fact that Clioms could ever know about washing machines. But he was wrong. Mere minutes later he was stunned to learn that "washing machines explain macro dynamics." Le Banquer said it. The Warbler was floored by the profoundness of this revelation. And laundry is always and everywhere – making this universally true. There. He had it. The winner. And it was good.

It was now time to rest. And time to leave. Until next year, when the Warbler will travel to the Steel City in search of even more profound universal truths. Having been to many of these gatherings, he doubts that he will be disappointed. ■

A resplendent Wisconin Warbler (www.fws.gov)!

In Memoriam: Ross Thomson

By Jane Knodell
Reprinted from EH.net

Ross Thomson was an extraordinary individual who brought a keen intellect, sunny disposition, quick wit, and steadfast sense of what is right and just to everything that he did. Ross excelled in his academic career; his engine fired on all cylinders, all the time. He was an outstanding scholar, teacher, faculty union leader, and – deliberately last, administrator.

After earning his Ph.D. in Economics from Yale in 1976, Ross spent the first 15 years of his career at the New School for Social Research, where he was an important member of an intellectually diverse, high-powered, and hard-working faculty, and worked closely with many graduate students who became life-long colleagues and friends. The University of Vermont was fortunate to attract him in 1991 to lead the Economics Department, a role he carried out with integrity and imagination. His administrative talents did not go unnoticed; he was soon recruited into the office of the Dean of the College of Arts and Sciences as Associate Dean, where he initiated programmatic and administrative innovations that survive to this day. But a permanent career in administration was not for Ross; he left that and turned his service attentions to United Academics, the faculty union at UVM, where he applied his skills of economic analysis to the betterment of the material conditions of UVM faculty across campus.

Ross was a dedicated and productive scholar of invention, innovation, and technological change in the nineteenth century U.S. His economic history was rich with institutional detail and new data, painstakingly constructed, and informed by his deep knowledge of theories of growth and accumulation, starting with the Classical economists, particularly Marx. He was the author of 3 books, <u>The Path to Mechanized Shoe Production in the United States</u> (University of North Carolina Press, 1989), <u>Learning and Technological Change</u> (ed.) (St. Martin's, 1993), and <u>Structures of Change in the Mechanical Age: Technological Innovation in the United States, 1790 to 1865</u> (Johns Hopkins University Press, 2009). He also authored numerous journal articles and book chapters. At the time of his death, he was well into another book project, about the role of government in undertaking and organizing technological innovation in the period between the Civil War and the outbreak of the second World War. The arc of his research is one of deepening refinement of his core ideas about the economic and social institutions that have fostered innovation and productivity growth.

Ross was equally dedicated to his students, who are bereft at losing him. He was the founder of the Integrated Social Science Program for first-year students, and directed it for the past 20 years. His hallmark seminar course, Capitalism and Human Welfare, was the launchpad to self-directed, critical study in the social sciences for hundreds of UVM students. Those of his students who live in Burlington continue to talk about his course, and how important he was to their intellectual development, decades later. In Economics Department meetings, his was always the voice of reason and sanity. ■

An Interview with Michael Bordo

Michael D. Bordo is Professor of Economics and Director of the Center for Monetary and Financial History at Rutgers University, New Brunswick, New Jersey. He has held previous academic positions at the University of South Carolina and Carleton University in Ottawa, Canada. He has been a visiting Professor at the University of California Los Angeles, Carnegie Mellon University, Princeton University, Harvard University, Cambridge University where he was Pitt Professor of American History and Institutions, and a Visiting Scholar at the IMF, Federal Reserve Banks of St. Louis and Cleveland, the Federal Reserve Board of Governors the Bank of Canada, the Bank of England and the Bank for International Settlement. He also is a Research Associate of the National Bureau of Economic Research, Cambridge, Massachusetts. He has a B.A. degree from McGill University, a M.Sc.(Econ) from the London School of Economics and he received his Ph.D. at the University of Chicago in 1972. He has published many articles in leading journals and ten books in monetary economics and monetary history. He is editor of a series of books for Cambridge University Press: Studies in Macroeconomic History.

This interview of Michael D. Bordo was conducted by Christopher M. Meissner on May 20, 2014 at the Federal Reserve Bank of Atlanta.

So, Michael, when did you become a "cliometrician"?

When I first got interested in economic history—before the word "clio" ever came up—was when I took an introductory course in economics in my first year at McGill University taught by, F. Cyril James, a famous British economic historian. He wrote the definitive book on the Chicago banking panic of 1932. He gave a terrific course on global economic history, and I remember the finale of this course was 1931 and the *Creditanstalt* crisis. I thought: This is great stuff! So it was always at the back of my mind, and I think that course first sparked my interest.

When I went to the LSE, I didn't do economic history. I did economic theory.

When I got to Chicago, I took Bob Fogel's course because we had to take it. I really liked it, and I liked Bob Fogel a lot. So I took all his courses. Then I also took a course from Arcadius Kahan. So I was hooked! I was also taking courses from Milton Friedman. He was my principal advisor when I got to Chicago–they assigned someone to be your advisor—so it was Friedman. I got on just fine with him, and I got interested in monetary history. So it goes back to that time. Cliometrics is what Fogel taught—the "new economic history." I have always been a fan of that approach.

When you were at Chicago you became a student of Milton Friedman. Later you collaborated with Anna Schwartz, the authors of the Monetary History of the United States*. This is a book that has stood the test of time. What is the most significant intellectual contribution that these two giants of the field have had on you?*

They have had a very strong influence on me. The *Monetary History of the United States* was a book that just captivated me. We had to study it to take the money prelim in Chicago, so I went through that book with a fine-toothed comb. But then, the emphasis on it was as part of the modern quantity theory of money and the monetarist approach to macro.

The *Monetary History* wanted to present evidence to show the independent influence of money on prices and real output. It was an identification strategy even though at that time they didn't use the terminology. That came along later with the Romers. It was a good way of making a strong case for the role of money. It was a supplement to all of the empirical work they (Friedman and Schwartz) were doing. It was also a supplement to the econometric analysis and the business cycle analysis that Friedman was doing with Anna and a lot of others. The *Monetary History* was trying to show how, when you have these different episodes in history, where money is, in a sense, coming from different sources and different institutional arrangements, the effects on the economy are similar. Using history as identification is a very good way of testing the theory. That was the lesson I took from a *Monetary History:* Ultimately, when you want to provide evidence for the importance of something in monetary history, you have to look at economic history. That's the testing ground. That's the laboratory that economics has. It's very hard to setup a lab experiment. Back then we didn't think about experimental economics. Economic history was the experiment!

At the same time, some of your work I would define as "presentist." In some cases, taking things that interest people today and events that have occurred today, even using theoretical models from today, to understand the past. Some people might view that as anachronistic, but Cliometrics specializes in it. Is there any harm in approaching economic history this way?

I think it's very useful. Again let's get back to the Friedman and Schwartz identification issue. History gives you the laboratory, and it gives you the examples where you can look back and understand why monetary policy makers did what they did. What were the influences on the policy makers? What was the effect on the economy? What other things were going on? You can identify those things. And when you are looking at current issues, trying to evaluate what should the Fed do right now, it is also useful. Should they be exiting faster from current monetary policy, or should their policy be to delay tightening? There are many arguments on both sides looking at the current data. But history gives you a very good pair of glasses to look at these issues. You can look at earlier periods where there were serious recessions with financial crises and ask: what was done? You can ask: did they do the right thing? So that's been my approach from the very beginning.

It also brings in a wider audience than just historians. Because if you start off really interested in current policy problems, and you know that there are examples from history, that you the economic historian knows, you can bring those to the table and show how relevant they are. Then monetary economists, macro-economists, politicians, policy people, and Fed people suddenly become interested in economic history. Whereas if you just talked about a debate from the past, which a lot of the historians do, and just focus on "old" issues, no one is interested except economic historians. So what I have done, and Barry Eichengreen has taken the same approach, is to use history to provide evidence for current issues. I think it's a very good way to go.

What shape is the Monetary History *in after 50 years?*

I think it's doing just fine. It emerged as the dominant view after the Temin debates in the 1970s and 1980s, and I think it still is. The fact is that Bernanke developed his credit view as a spinoff of Friedman and Schwartz. He never doubted that it was monetary causes, and that was what he was talking about. He focused on the transmission mechanism coming through the bank lending channel and the failure of financial intermediation. In his view, the way in which the banking panics impacted on the economy was what was important, and that's a variation on the basic story that it was monetary, primarily monetary, and not due to other sources like demand or technology shocks or other things. I haven't changed my views at all. I have sympathy to the lending approach, but I haven't changed my views at all. The view that it was other sources of aggregate demand or technology shocks has not convinced me.

I remember being at the New York Fed in 2008 and 2009 and hearing people say the recent crisis is some evidence against the Freidman and Schwartz view and that the Fed can only do so much. And here we are stuck at the zero lower bound. Although I know that's not something Anna Schwartz liked to blame for the Great Depression, have we learned anything about being at the zero lower bound?

Yes. I think, for example, the policies of quantitative easing that the Fed has followed—imperfectly, but they have nonetheless followed—is something that came out of the 1930s. You know that what really matters is that you need massive monetary expansion. When Freidman and Schwartz talked about the Great Depression, they always had this counterfactual in mind. They said, if the Fed had conducted open market operations of a billion dollars at certain key points in 1930, 1931, and 1932, in each of those cases, what would have happened? And they argued, quite convincingly, using what nowadays would be called primitive tools, that the downturn in money growth and the decline in the economy would have been reversed. Well, there has been a lot of econometric work, that I have been involved in, and Bennet McCallum and others, Christy Romer too, which shows that this would have indeed attenuated the Great Depression.

We never talked about the zero lower bound, because the economy wasn't there until after the contraction. Some rates were low in 1932, but never that low until 1934. So the lesson that came out of that research was massive monetary expansion could have attenuated the Great Depression. When we hit the zero lower bound in the late fall of 2008, that's exactly what the Fed did with quantitative easing. And what they did, and which I think was a problem, is that they didn't go all out. They were paying interest on excess reserves and the spread was positive between the rate paid on excess reserves and the zero lower bound. The banks didn't have an incentive to lend. They were bottling up all of the expansion in the reserves held at the central bank by the banking system -- as deposits in the central bank. Those funds could have been lent out. I think they could have gone a lot further than they did. I think the quantitative easing idea, which the Japanese also followed a decade ago, if done properly, and enough, should work. That's the lesson I took from the Great Depression.

So more broadly, when we look at the history of US business cycles. What do you think? Is there a role for real forces: harvest failures, TFP shocks, uncertainty, fiscal policy and so forth?

Oh yes, definitely. Lots of forces like wars, extreme political events, harvest failures, they all definitely are triggers for business cycles downturns, just as foreign shocks are triggers for business cycle downturns. But, what I think is a lesson that came from Friedman and Schwartz's work, not just the *Monetary History*, but other work, was that minor cycles were often caused by real factors, and movements in money were an endogenous response. But also, some of the major recessions involved contractionary monetary policy and they also involved financial crises—banking panics—which often had a monetary effect. And so, I think that the lesson of history is that there might be a lot of other things going on and that mild cycles can have monetary and non-monetary causes. But major cycles and major recessions often have dominant monetary element to them.

Shifting gears to other times and places, we have seen big differences in monetary rules and approaches to monetary policy. Based on your reading of history, does one size fit all in terms of monetary and exchange rate regime policy?

I think the most important thing, based on looking at this issue for a long time, is the importance of rule-like behavior. The rules have changed. So the gold standard was a very good rule for the 19th century. This was a world where the role of government was less than it is today, where people didn't place as much importance to unemployment and to using monetary policy as a stabilizing instrument. So in that world, I think the gold standard worked well. It gave us price stability. It gave the world a backdrop to globalization. It wasn't the cause of globalization, but definitely it was an important positive determinant or contributing factor to globalization. So the gold standard was great before World War I.

It took us a long time to get off the gold standard. But the gold standard had its problems which became more manifest in the 20th century. But even in the 19th century, people like Irving Fisher and Alfred Marshall, and others were talking about the "vagaries" of the gold standard. There were shocks, like technology shocks and political shocks, that would affect the membership of the gold standard. There was the fact that the price level, even though it was mean-reverting and you tended to get long run price stability, the price level had cycles in shorter periods. These reflected gold discoveries and the price-specie flow mechanism or other factors. That is, prices weren't really stable except secularly. In response to these issues, Marshall, Wicksell, and Fisher came up with plans to make the gold standard more stable. Moreover, fiat money, if managed properly, will give you the same results as the gold standard did. In fact, you would do better without the vagaries of the gold standard. And that's what we have moved towards in the 20th century. But it took a lot of learning to get there. We now follow a rule which is "credibility for low inflation." It's reached its apogee in inflation targeting, but what mattered most was getting the number one emphasis for the monetary authority to be price stability. Inflation targeting was icing on the cake, but which is very good. The Taylor Rule, which is a rule, in the sense of a rule of thumb, has been a pretty successful way of achieving credibility for low inflation and also dealing with the business cycle.

One of the questions we ask when we teach about the Great Depression is "Can it happen again?" So have recent events in the US, in Europe, or emerging markets significantly changed your beliefs about whether another Great Depression can happen again?

Not really. I think we did learn a lot from the Great Depression, and the structure of the economy changed. We developed automatic stabilizers. The role of government became larger. So, I think the Great Depression which happened in the 1930s isn't going to happen again. But a major financial crisis? Sure! Financial crises occur all the time unless you completely seal up the financial system, as they did in the period from the 30s until the 70s. Once you open up the world to financial innovation as, occurred in the 1970s, financial crises are going to come. So the question is, how do you deal with them? You deal with them with the tools that monetary and fiscal authorities have learned to mitigate their effects. They didn't have those tools in the Depression. We didn't get the Great Contraction five years ago! Real GDP in the US fell by a little over five percent. The recession was a little bit bigger, or the same size, as the Volcker shock in the early 1980s. Unemployment was even higher then, than now. So I don't think we replicated the Great Depression, and I don't think that had the Fed not gotten it nearly, completely right that we would have had a re-run of 1931. There were other forces at work that helped attenuate and prevent another Great Contraction. It would have been worse if the Fed had not done basically the right thing with respect to the financial panic in 2008. If the Fed hadn't worked out the swaps with other countries to prevent it (the crisis) from spilling over, then we would have had a worse recession. So maybe it would have been a 10 percent fall in GDP but not 25 percent.

But when I look at events in Argentina in 2001-02 and I look at Greece, the Baltics, and other Southern European countries, I think, "it" could happen again.

Look, there is a difference between advanced countries and emerging countries. Emerging countries have not developed the institutions to create overall economic stability. They are where we were in many respects in the 19th century—the US was an emerging country at that point—and they haven't developed. So nothing that happens there surprises me. A number of emerging countries don't have democracy. They don't have rule of law. They don't have good governance both at the state level or the corporate level. The number of problems in the institutional background in those countries is daunting. The UK, US, Canada, and other advanced countries, they have gone through a lot of institutional development going back to the Glorious Revolution of the 17th century. These other countries have not yet figured these things out.

So at times like this, say the Eurozone crisis, and other events like that one, do they tell us something about how important political forces and institutional forces are in shaping current economic policy and outcomes?

Definitely. I think those forces are really important. I think that economics and politics have always been closely interacting with each other. I have been quite convinced by those who argue for the role of institutions and institutional development. If you ignore institutions, you are not really going to explain much in terms of cross-country variations in economic outcomes.

Does monetary and financial history have anything to add to how we understand the process of long-run development? Does development come from financial development?

There are two things here. I do think there is a lot of evidence that economic growth is tied up with finance. The story that Dick Sylla has long told about successful financial revolutions in the UK, the Netherlands, Japan, and Germany and others, I have always been on board with. You need financial innovation, but to get financial innovation you need the politics. You need to have a stable polity. You also need monetary stability and fiscal stability. In an environment of economic instability, it's hard to have sustained economic growth.

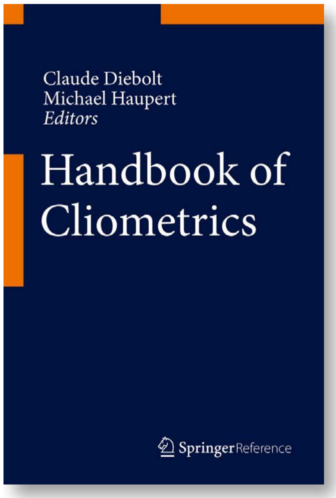
One last question. Some of your early work was related to history of thought. You have worked on Richard Cantillon, John Cairnes, and others. That's very different from the standard cliometirc approach of developing a hypothesis and testing it against an alternative. Is there any role for history of thought in today's modern economics departments or in general?

I always liked history of economic thought. My work on John Cairnes was my first foray into history of thought. That came out of a class paper in a course we had to take at Chicago: in the history of economic thought with George Stigler. It was related to my interest in the effects of monetary change on the economy, and I was interested in the monetary effects of the gold discoveries in the 19th century. So, I wrote a paper on Cairnes. That led into a paper on Richard Cantillon who had many of the ideas that Cairnes put forward a couple of centuries earlier. Then I did a big history of thought piece on the classical gold standard. I haven't kept up in that field. Sometimes I wish I had. I went to a number of history of economics society meetings in the 1970s and 1980s, but I had a feeling that the field was losing influence. The fact that most graduate schools dropped it—Chicago dropped it 10 years after I left—meant that the people left working in that field were on the fringe. I just didn't get much out of going to those meetings. I guess I thought that the payoff would be higher in economic history.

But, I think it's really important that we know where our ideas come from. The current generation of macro-economists, and even the one before this one, haven't a clue where their ideas come from. If you look at reading lists in macro, the oldest article might be from Lucas in the 1980s; they might have Friedman and Schwartz in there. But there is so much other work that is really relevant. It's not known, and people don't cite it. Back then, when I was a student at Chicago, when people wrote articles, they would go back and consider where a concept came from. They would talk about Ricardo and Smith, and I think it's a shame that we have forgotten where we come from.

Selected Publications

- with Owen Humpage and Anna J. Schwartz, “The Historical Origins of US Exchange Market Intervention”. *International Journal of Finance and Economics*, Vol. 12, No. 2, April 2007, pp. 109-132.
- with Oliver Jeanne, “Monetary Policy and Asset Prices: Does “Benign Neglect Make Sense?” *International Finance (*December 2002).
- with Barry Eichengreen, Daniela Klingebiel, and Maria Soledad Martinez-Peria. “Is the Crisis Problem Growing More Severe?” *Economic Policy (*April 2001).
- with Christopher J. Erceg and Charles L. Evans. “Money, Sticky Wages and the Great Depression.” *American Economic Review* (December 2000).
- with Anna J. Schwartz. “Monetary Policy Regimes and Economic Performance: The Historical Record.” Chapter 2 of the North Holland Handbook of Macroeconomics edited by John Taylor and Michael Woodford. North Holland, New York. (1999).
- with Hugh Rockoff. “The Gold Standard as a `Good Housekeeping Seal of Approval’.” *Journal of Economic History* (June 1996). ■



C. **Diebolt**, M. **Haupert** (Eds.)

Handbook of Cliometrics

- **Constitutes a comprehensive reference work in historical economics and econometric history**
- **Outlines the contributions of cliometrics to a variety of Topics**
- **Engages economists, historians and social scientists to participate in a world-wide forum of discussion**

The Handbook of Cliometrics is a milestone in the field of historical economics and econometric history through its emphasis on the concrete contribution of cliometrics to our knowledge in economics and history. The articles in the handbook authored by the leading scholars in the fields, stress the usefulness of cliometrics for economists, historians and social scientists in general. The Handbook offers a comprehensive coverage of topics with each article providing an overview of the contributions of cliometrics to a particular topic. The Handbook sets a new standard of quality in the field by offering a world-wide forum of discussion in cliometrics.

1st ed. 2015, XXII, 590 p. 59 illus., 34 illus. in color.

SPRINGER REFERENCE

Contributing Authors

Joerg Baten
Gregory Clark
Lee Craig
Claude Diebolt
Jari Eloranta
Stanley Engerman
Emanuele Felice
Price Fishback
Caroline Fohlin
James Foreman-Peck
Claudia Goldin
Michael Haupert
John James
Matt Jaremski
Markus Lampe
Robert Margo
Terence Mills
Larry Neal
Faustine Perrin
Thomas Rahlf
Nathan Rosenberg
Paul Sharp Jochen
Streb Peter Temin
Franziska Tollnek
Jacob Weisdorf

Print (Book)
- **429,00 € | £386.50 | $599.00**
- ***459,03 € (D) | 471,90 € (A) | CHF 483.50**

eReference
- **429,00 € | £386.50 | $599.00**
- ***510,51 € (D) | 514,80 € (A) | CHF 508.00**

Print + eReference
- **539,00 € | £485.50 | $729.00**
- ***576,73 € (D) | 592,90 € (A) | CHF 607.50**

Order online at springer.com ► or for the Americas call (toll free) 1-800-SPRINGER ► or email us at: customerservice@springer.com. ► For outside the Americas call +49 (0) 6221-345-4301 ► or email us at: customerservice@springer.com.

The first € price and the £ and $ price are net prices, subject to local VAT. Prices indicated with * include VAT for books; the €(D) includes 7% for Germany, the €(A) includes 10% for Austria. Prices indicated with ** include VAT for electronic products; 19% for Germany, 20% for Austria. All prices exclusive of carriage charges. Prices and other details are subject to change without notice. All errors and omissions excepted.