The Newsletter of

The Cliometric Society

February 1994 Vol. 9 No. 1

CS.MUOHIO.EDU

by Samuel H. Williamson (Miami University)

(Oxford OH) The Cliometric Society has a new electronic address and so do you. With financial assistance from the National Science Foundation, we are now operating a DEC Alpha 3000 machine dedicated to serving research and communications needs of economic historians worldwide. As we said in previous *Newsletters*, the new machine will run lists, maintain a file server and directories of economic historians, store data, and host "real time" conferences. This machine's address is: ***cs.muohio.edu***

You have a new E-mail address at CS

Have you ever wanted to send an e-mail message to someone, but don't know the address? Or they have moved, and you don't have the new address? The CS server solves this problem by providing an e-mail forwarding service and optional mailboxes to Society members. Now everyone in The Cliometric Society with an e-mail address anywhere in the world also has an e-mail address at Clio. A major advantage of this system is that all addresses are consistent: your CS-mail address begins with your first initial and last name. For example, mine is *swilliamson@cs.muohio.edu* Messages sent to members at their CS addresses will be forwarded automatically by our machine, which acts simply as an additional link within the internet system. The CS machine will forward your mail to the address you listed on your latest renewal form. Please send yourself a message to your CS address; if the message does not get back to you, please notify us. If you need to correct or change your address, or if you do not wish to have your name listed, please let the Society know. In addition, you may set up a mailbox on the CS machine. To read your mail, simply telnet to the CS machine and logon to your account.

File Server

Our file server (often called a "gopher") has been working for six months and has had regular use throughout the period. The server has recently been moved to the CS machine and now works faster and has far more storage space. Files have been added regularly and we want to continue increasing the number of our data bases.

Our server can use a variety of protocols for access, including telnet, gopher and the World Wide Web (WWW). For a telnet connection to ***cs.muohio.edu*** type *gopher* when asked to login, and hit "return" for the password. If you use a gopher client, you will need to open a new "bookmark" at ***cs.muohio.edu*** WWW provides the ability to establish links within and between documents or files. A more exotic interface called MOSAIC can present information using sound and graphics in addition to text formats. The combination of these

(continued on page 2)

What's Inside

CS.MUOHIO.EDU *(continued from page 1)*

interfaces allows items to be located linearly or in a hypertext/media manner. We will keep you informed of developments in the CS machine's capabilities in future *Newsletters* and *via* ECONHIST.

Electronic Bulletin Boards

Since last summer, we have been running a "listserv" named ECONHIST. (Listservs and ListProcs are "computerese" for electronic bulletin boards.) People can subscribe to lists devoted to topics of interest to them, and can "post" messages to the list for forwarding to all other subscribers. Our list is devoted to "Teaching And Research In Economic History", at present with more than 140 subscribers. Traffic on ECONHIST is quiet compared to some other lists to which I subscribe. Most of the postings on our list have been announcements (many that I have forwarded from other lists) or subscriber requests for datasets. You are encouraged to subscribe and need not worry about being overwhelmed by a flood of e-mail, since we monitor all postings. To subscribe, send the message *subscribe econhist* and *your full name* to the address ***lists@cs.muohio.edu*** Once you have subscribed, you may send messages to the list. I encourage members to consider starting new lists focusing on special topics. Anyone interested in starting a new list should contact me.

Helpline

If you have any questions or comments regarding e-mail, the server or the lists, please send a note to our "helpline": ***help@cs.muohio.edu*** You will get an immediate acknowledgement that the machine has received your message. The standard reply includes answers to frequently-asked questions, but you will also shortly receive a personal response.

The Cliometric Society's Business Address

The new e-mail address for the Society is ***csociety@cs.muohio.edu*** For questions about your membership, subscription to EEH, deadlines for papers, or any other Society business, please contact us at this address.

Executive Director's Notes

Price Fishback and Timothy Hatton have been elected Trustees for 1994-1997. They replace Leandro Prados and Roger Ransom, whom we thank for their service to the Society for the past four years.

A brief income and expense report to members for the 1993 fiscal year appears below.

Income:		Expenses:	
Dues	6,353	**Membership:**	
EEH Subscriptions	9,227	Postage	375
EHES Memberships	847	Copy charges	72
Investment Income	211	Credit card fees	261
MUSBA Support	2,000	*EEH*	9,227
		EHES	550
Total Income:	**18,638**	Society Hospitality	232
		Total	**10,717**
		Newsletters (Two of Three):	
		Printing	1,075
		Copy charges	54
		Postage	320
		Total	**1,449**
		Society Office Maintenance:	
		Telephone	630
		Supplies	600
		Personnel	5,683
		Total	**6,913**
		Total Expenses:	**19,079**
		Difference:	**-441**

THE CLIOMETRIC SOCIETY
Miami University
Oxford, Ohio 45056 USA
(513) 529-2850
Fax: (513) 529-6992
E-mail: CSociety@cs.muohio.edu

The Newsletter of The Cliometric Society
is published three times per year.

Samuel H. Williamson, Editor
John Lyons, Associate Editor
Louis Cain, Associate Editor
Debra Morner, Assistant Editor

Two Lectures at the Vetenskapsakademien

by John Komlos (University of Munich)

(Stockholm) The Prize in Economic Science in memory of Alfred Nobel was established in 1968 by the Bank of Sweden.[1] To our great joy, 25 years later it was awarded to two distinguished members of this association, Robert W. Fogel and Douglass C. North. It was already dark when my plane landed on December 8th, although it was not even four o'clock in the afternoon. (One can easily overlook what it must be like to live just a few degrees south of the latitude of Anchorage.) A concert was given that evening in honor of all the Prize winners.[2] I was much taken by surprise at the unanimity with which the audience sprung to its feet upon the entrance of the King and Queen, and I seemed to have been the sole straggler (for want of knowing better). The singing of the national anthem followed, again in unison, and I was vividly reminded what it truly means to be an integral member – with heart and soul – of a nation.

The prize lectures took place the following morning at the Swedish Academy of Sciences (Vetenskapsakademien), to a packed auditorium with many students from the nearby university in attendance. Both lectures were iconoclastic, pointed to the importance of history for the study of economics, emphasized the current policy implications of their work, and both urged the mainstream of the discipline to divert resources to foster research in new directions.

North's lecture, entitled 'Economic Performance through Time,' was about 'institutions and time.' North chided mainstream practitioners of economics for ignoring the independent role of institutions and for not incorporating time explicitly into their models: comparative statics is clearly inadequate as a framework for analysis of dynamic systems. He emphasized that in order to understand economic performance in the long run, we must devote more intellectual resources to study how institutions evolve and create incentive structures for societies.

He went on to summarize his now familiar work on institutions (*e.g.*, North, 1991), those 'constraints that structure human interaction' (both formal and informal) which become important when transaction costs are not zero. He suggested that if one avoids assuming at the outset that 'individuals know what is in their self-interest and act accordingly,' one would have a richer model of development. To come closer to that goal we need to incorporate into our models recent achievements in cognitive science, which can help us understand how human societies learn. After all, human learning has been an arduous process, as shown not only by how long it took western societies to improve their economic performance, but also by how extremely difficult it has been for the rest of the world to copy their achievements.

He ended on a rather negative note with regard to the prospects for the economies of the former Soviet Union. 'Privatization is not a panacea for solving poor economic performance,' and shock therapy is not leading to the happiest of solutions, because property rights continue to be ill-defined, and because political institutions remain fragile. In addition, belief systems are rigid, and developing stable political structures will be a daunting task, without which the prospects for modern economic growth remain dim. Emphasizing that 'adaptive rather than allocative efficiency...is the key to long run growth,' North concluded by calling for study of how flexible institutional structures have evolved over time, inasmuch as they are key to understanding economic development in the long run.

Fogel's lecture was entitled 'Economic Growth, Population Theory, and Physiology: The Bearing of Long-Term Processes on the Making of Economic Policy.' It might have been subtitled: 'An Anti-Malthusian Manifesto,' since he pointed out the great progress human populations have experienced during the course of the last two or three centuries in increasing their numbers, in escaping 'from hunger and premature mortality,' and, of course, in leading healthier lives. Such improvement has not yet ended even in the West: a further increase in longevity can be anticipated, with obvious implications for current health, pension, and development policies.

He also touched upon his and his students' efforts during the last decade and a half to explore the 'synergy between biomedical and economic analysis of the secular trend in chronic malnutrition' (Fogel, 1993). He mentioned how short and underweight Europeans were on average at the turn of the 19th century. Otherwise, the available food supply, say Fogel's estimates of the size distribution of calories, would hardly have sufficed to keep the workers actually working. Investigation of body size and the risks of death and morbidity is particularly promising for its predictive power on the basis of the so-called Waaler surfaces.[3] For example, improvement of nutritional status in France during the century after the Revolution may have accounted for as much as 90% of mortality decline, while during the century thereafter further improvements can explain about half of the decline.

Taking the concept of interdisciplinarity a step further by adding human biology to the well-established cliometric palette, Fogel discussed the physiological foundations of Waaler surfaces, pointing out that malnutrition affects the chemical composition of tissues making up such human organs such as heart and lungs, and affects as well the functioning of endocrine and central nervous systems. To the extent that 'the basic structures of most organs are laid down early,...it is reasonable to infer that poorly developed organs may break down earlier than well-developed ones.' In short, protein-calorie malnutrition in infancy and early childhood has had a 'long reach,' affecting mortality rates throughout the life cycle.

Fogel thus argued that a Malthusian concept of 'subsistence' is misleading. 'Subsistence is not located at the edge of a nutritional cliff, beyond which lies demographic disaster.' Instead, minimum subsistence is to some degree flexible, since body size can adapt to different nutritional regimes. He explained in detail the main goal of his current project on pension records of soldiers in the Union Army, and presented preliminary findings on 'the [higher] prevalence of chronic diseases' for veterans aged 65 and over in 1910, compared to 1985-88.

Both lectures were obviously well received, and were followed by spirited discussion. Fogel was asked, in connection with his railroads book, if he considered personal computers an epoch-making innovation. That was easy enough to admit for someone who pushes computer technology to its limit. He added that the social savings of computers could be quite large, but the social savings of railroads were also large relative to those of other innovations. Here and also at the banquet given in the evening by the Stockholm Club of Economics, North was pressed about his pessimistic assessment of the shock therapy policies for Russia. His response was that he did not mean to criticize shock therapy *per se*; he himself would have no better alternative to offer. His remarks were directed, rather, at the general difficulties of building up a new system of institutions within a political-cultural milieu rather inimical to market economy. Without sensible laws and clearly specified property rights it would be frivolous to expect miracles to happen.

The week-long celebrations continued even as my plane departed for the one and a half hour flight back to Munich. Enid Fogel, Elizabeth Case, grandchildren, other relatives, guests and even the indefatigable Marilyn Coopersmith, Associate Director of the Center for Population Economics, seemed to have been more exhausted by the festivities than were our colleagues themselves...

Footnotes

[1]Those interested in the idiosyncratic life of Alfred Nobel might look at Meyer (1994).

[2]With the exception of the Peace Prize winners, who are always honored in Oslo for historical reasons.

[3]Derived from Waaler (1984).

References

Fogel, Robert W. (1993), 'New Sources and New Techniques for the Study of Secular Trends in Nutritional Status, Health, Mortality, and the Process of Aging', *Historical Methods* 26:5-43.

Meyer, Michael (1994), 'The Richest Vagabond,' *The New York Review of Books,* January 13, 1994, 26-27.

North, Douglass C. (1991), 'Institutions,' *Journal of Economic Perspectives* 5:97-112.

Waaler, Hans Th., 'Height, Weight, and Mortality: The Norwegian Experience', *Acta Medica Scandinavica,* Supplementum 679 (1984).

Clio at the ASSA: 1994

**by John Brown (Clark University) and
Akira Motomura (Albion College)**

(Boston MA) The Cliometric Society hosted four well-attended sessions at the 1994 ASSA meetings. One was held jointly with the AEA, and another with the American Real Estate and Urban Economics Association (AREUEA). In the year of the Nobel, several other economic-historical sessions complemented the Clio offerings.

Monday, 3 January 1994, 2:30 p.m.: The first-ever joint Clio-AREUEA session on Urban Economic History, with Louis Cain (Loyola and Northwestern) in the chair, returned to the roots of Cliometric practice: [urban] economists acted as discussants of the four papers, all of which pointed to the importance of network technologies in a spatial setting for understanding urban economic history.

Clark Nardinelli and Curtis J. Simon (both of Clemson) investigated the importance of the accumulation of 'location-specific human capital' – knowledge of information pathways in urban areas – on urban growth. Arguing that information about economic relationships in a community implies external economies, they proxied a city's stock of this form of human capital by the employment share in information-intensive industries, including accounting, legal services, and engineering. Regression analysis of a sample of population data from English cities for the period 1860 to 1960 offered results similar to a previous study of American cities: a larger share of information-specific employment at the beginning of the period resulted in more urban growth.

Discussant Thomas Downes (Northwestern) noted the paper's value in addressing the literature's neglect of location-specific sources of endogenous growth. He suggested that the authors draw more heavily on the city growth literature in urban economics and on historical narratives of urban growth for motivating the empirical work. Nesting alternative explanations for urban growth from this literature within the specifications for the regressions would lay to rest concerns about missing-variable bias, and would allow an evaluation of the quantitative oomph of the info-capital explanation relative to the standard Marshallian emphasis on external scale or other agglomeration economies in industry. Jeffrey Williamson (Harvard) led off the intense discussion that followed, contending that the level of higher-skilled human capital of the kind discussed here would be endogenous to any one city, not exogenous as is the assumption of the paper; lower-skilled workers would be the group most likely influenced by local conditions. His comment touched off an extensive discussion of the potential role of local factors in changing endowments of human capital. Lynn Kiesling (William and Mary) suggested looking at local voluntary education efforts, while others suggested looking for exogenous influences on the quantity of legal services, such as the presence of a county seat. Yasukichi Yasuba (Osaka Gakuin) argued that a comparison with Japan, which relied heavily upon engineers in its development, would offer a further opportunity to test the robustness of the conclusions. Cain questioned the focus on employment status as an adequate proxy for human capital.

Elyce Rotella (Indiana) presented a paper, written with Cain, on the relation between mortality shocks and expenditures on water treatment and sewers in the US in the early 20th century. In previous work, they had argued that increased spending reduced mortality. Here, they examined the opposite direction of causation and found strong anecdotal evidence, but insignificant econometric support, favoring the proposition that major increases in local mortality from water-borne diseases generally led to increased spending on water treatment.

Downes thought the paper convincing overall, but asked for more discussion of how to model local budgeting; he would have preferred a median voter or public choice model of local spending instead of the incremental model used by Rotella and Cain. Other suggestions included more explicit consideration of the demonstration effects of small city projects on larger cities and of fixed differences between locales. On the econometric side, Downes questioned their nonlinear specification, and mentioned new literature on time series estimation of panel data that might make better causality tests possible. Spirited discussion followed, raising questions about both the paper's broad approach and its specifics.

Yasuba suggested that if water quality deteriorated over time, then catastrophe theory might provide a useful model. Jeff Williamson launched a discussion of why spending had not increased earlier, when urban mortality levels were even higher. Changes in income, knowledge, and population were suggested triggers for this round of spending. Ray Cohn (Illinois State) suggested considering the frequency of mortality shocks by city. Brown asked whether homeowners or governments determined the demand for treated water. Kiesling suggested that the fixed effects model might capture differences in natural water quality. Motomura thought that mortality shocks in one city might affect spending in others.

Cain finally allowed the session to move on to Brown's paper, which measured the key determinants of residential bidding behavior in turn-of-the-century Munich, after the introduction of the tram. While the tram's speed made living in large apartments away from the central city, but near a tram line, more attractive to some of the rich, most others stayed in the center. The young, home workers, and those with uncertain employment were also more willing to bid for access to the city center. His results were at variance with studies of American cities, which suggest that transport innovation prompted the emergence of higher-income suburbs surrounding lower-income center-city neighborhoods.

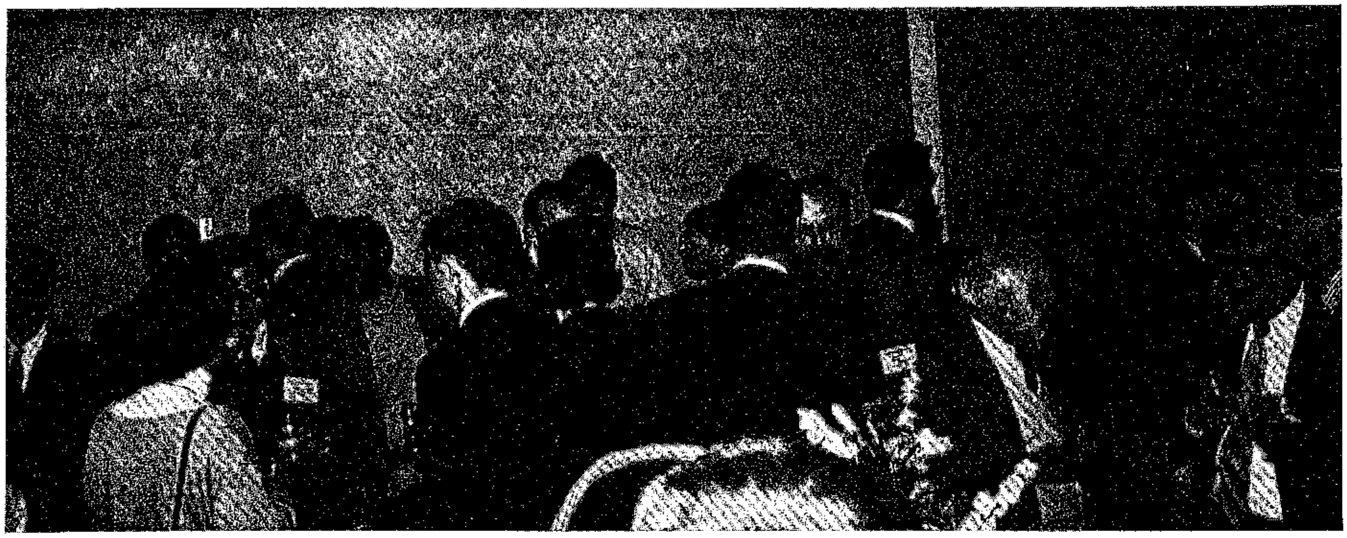
Jon Sonstelie (UC-Santa Barbara) was the formal discussant. As an urban economist, he praised Brown's contribution to testing different explanations of urban residential patterns and for providing a European case study. Sonstelie's suggestions were mainly econometric. He wanted a specific break-even distance from the central city where the tram became a better mode of transport than walking. This would be important to determining the nonlinear bid-rent functions of likely tram riders. He also suggested translating bids for apartment units into bids for ground rent. Sonstelie noted that the Rosen method used by Brown requires assumptions about functional form when used with data from one city. Cain asked about who rode the tram and lived closest to it. He thought that living right next to the tram would be less attractive to rich residents and perhaps more so to businesses. Yasuba asked Brown to elaborate on the money cost of transport.

Edward McDevitt (California State-Northridge) presented a paper offering a three-step explanation for the decline in private irrigation companies and the rise in public irrigation districts in California during the first decades of the 20th century. The growth of public districts stemmed from the settlement of most of the state and from two main changes in the institutional framework: first, water rate regulation prevented price discrimination, thereby restricting the ability of private companies to capture returns from projects, and second, a state-sponsored authority monitored and provided information about bond issues, which cut borrowing costs for the public districts.

Fellow Californian Sonstelie noted clear parallels with 19th-century urban transit development, arguing that the institutional changes emphasized by McDevitt may best be understood as inevitable outcomes of development of a private network technology, with high fixed costs and low marginal costs, that also created land rents. Typically, developers installed the technology and sold off the irrigated land to capture rents from the project. Since a commitment to continue charging land owners the marginal cost of supplying water was not credible, regulation usually stepped in. As with private transit companies, public buy-outs of the private irrigation companies made both the 'public' (the irrigation districts) and the private companies better off. Samuel Williamson (Miami University) asked if the railroads played an important role in promoting irrigation projects, observing that cream-skimming of low-cost sites would make later projects less attractive to private developers because of higher development costs. McDevitt replied that they did not. Nardinelli suggested that demand changes may have been important as well in influencing the pace of public take-overs.

Tuesday, January 4, 10:15 a.m.: Gavin Wright (Stanford) chaired the session on 'Growth and Technological Change: Lessons from History', held jointly with the AEA. Yasukichi Yasuba set about destroying a number of icons of the economic history of Japanese industrialization from 1850 to 1940. His main argument placed Japan's resource scarcity in historical context. Prior to the 1930s, Japan faced little resource scarcity because of its emphasis on light manufacturing; raw products were important components of exports and military spending was at levels lower than after 1945. However, militarization in the 1930s forced the economy onto a path of heavy industrialization, high protection, and international isolation, which eroded living standards, prompted a deterioration in the terms of trade, and induced rising resource scarcity.

In his comments, Gary Saxonhouse (Michigan) concurred with some of Yasuba's conclusions, but doubted whether the Japanese economy was resource-abundant and queried the extent to which Japanese government policies were responsible for eroding living standards in the 1930s. In this case, looking at comparative advantage may be less informative than considering absolute advantage. Technologically backward developing countries will often be net exporters of resources, but by comparison with Indonesia or Argentina, Japan was surely resource-poor. Even liberal trading policies may have been unable to fend off Japan's deteriorating terms of trade as the total volume of world trade plummeted during the 1930s.



On Tuesday evening, a reception was held in honor of the Nobel laureates, hosted by The Cliometric Society, Cambridge University Press and W. W. Norton. Society members and other friends gathered to congratulate Doug North. Bob Fogel was unable to attend.

Louis Johnston (Bowdoin and Gustavus Adolphus) presented a joint work with Karin Stawarky (Bowdoin), examining the cost-disease explanation for de-industrialization, which maintains that relatively slow growth in productivity in the service sector, not the decline of manufacturing, explains higher employment and a higher share of nominal output in services. Their paper tests a crucial assertion of this view: that the share of services in real output has been constant. Using a longer time series and more detailed data for the post-World War II period than original tests, they find that the service sector's share of real output was actually falling. Data from 1840 to 1900 ('industrialization') suggests a similar conclusion for agriculture relative to manufacturing.

Carol Heim (Massachusetts-Amherst) suggested the authors impose a consistent economic rationale for selecting time periods for analysis and for identifying progressive versus stagnant sectors. Some ambiguities in the results may have stemmed from this problem. She also questioned the conceptual basis of the paper, which tackles two distinct questions: one, is de-industrialization a problem of concern for the post-war economy, and two, do the periods of industrialization and de-industrialization offer a common basis for comparison? Efforts to draw parallels between the two periods require going beyond the cost-disease model. The role of international capital and labor markets in sectoral shifts, for example, may be worth a closer look. Among others, Jonathan Liebowitz (Lowell) asked whether shifting the goods produced by the household economy into the market economy would influence the results. Robert Margo (Vanderbilt) suggested the authors incorporate Thomas Weiss's recent labor force estimates into their analysis of the 1840-1900 period.

Alan Dye (Carlos III°-Madrid and Michigan) appealed to institutional differences to explain the expansion of up-to-date, continuous processing sugar refining in the backward east of Cuba rather than the developed west after 1900. Existing property rights and railroads constituted a disadvantage to the west not found in the east. Rapid deterioration of sugar cane after harvesting created a bargaining situation, as suppliers who owned their own land could hold up the owner of the nearby mill for lower processing prices. In the east, investors could readily build vertically-integrated mills and cane fields and overcome the bargaining costs arising from the distribution of property rights in the west.

Discussant Ross Thompson (Vermont) suggested that the paper offered an interesting extension of Gerschenkron's approach to relative backwardness. Nonetheless, the paper required a more adequate accounting for alternative influences on the location of investment, including the competitive structure of the milling industry and the availability of public railroads as alternatives to mill railroads. He also asked whether the large blocks of land needed for the vertically-integrated mills could be assembled in the west. Here, both the state and the frontier situation in the east could play important roles independent of the bargaining relationship.

Yasukichi Yasuba, Doug North, and Lance Davis at Tuesday evening's festivities.

Tuesday, January 4, 2:30 p.m.: The second Tuesday session, chaired by Michael Haines (Colgate), addressed current research themes in US labor history. Robert Margo examined the convergence of wages earned by black and white male workers during the 1940s. Potential explanations include occupational upgrading, migration from the South to the North, changes in schooling, and the compression, documented elsewhere, of the wage distribution during the 1940s. Wage equations based on samples drawn from the 1940 and 1950 censuses imply that over half the convergence can be explained by changes in relative returns to schooling and experience that benefited lower-skilled, less-educated workers. Adjusting for the quality of black schooling further increases the impact of these changes.

While sympathetic with Margo's findings, Jon Moen (Mississippi) asked whether a focus on wages alone offers an accurate reading of changes in the distributions of black and white economic welfare. Although census data preclude a look at agriculture (given the absence of data on non-wage income), he suggested a closer look at the impact of wartime controls on wages in manufacturing. Adjustments on non-wage margins (benefits and hours) may have offset the gains in wage income experienced by blacks. Moen also asked for a more comprehensive interpretation of the results than offered by the reduced-form approach; supply and demand elasticities would be of interest. Sam Williamson seconded Moen's comment and asked whether business cycle differences between 1940 and 1950 might muddy the underlying 'equilibrium' wage distribution to the disadvantage of blacks. Other policies of the period, including Roosevelt's active anti-discrimination efforts and the minimum wage, might have been exogenous influences on distributions not addressed in the paper.

In his paper, Boris Simkovich (Harvard) documented and attempted to explain patterns of inter-generational mobility among white male workers in four occupational groups since 1900. The data are from a linked sample taken from the 1900 census and samples from the 1960s to the 1980s. He noted a surprising continuity in the rate (60%) at which younger male workers were able to exit blue-collar status for white-collar or farm occupations. Simulations of the overlapping-generations general equilibrium model developed to explain these trends implied that technological change is the most likely explanation for observed changes, if funding of education is independent of income.

Haines praised Simkovich's attempt to escape the confines of existing city-based studies of mobility. Placing occupations into four groups and calculating rates of outflow offered cogent summaries of mobility. Aside from concerns about lumping all farmers into one group, he suggested that the gap between 1900 and 1962 in the data points suggests caution about any trend presented for

(continued on page 14)

Conference Report: Anglo-American Finance

by Michael Bordo (Rutgers) and Richard Sylla (New York University)

(New York) A conference on "Anglo-American Finance: Financial Markets and Institutions in 20th Century North America and the U.K." was held at the Salomon Center of New York University's Leonard N. Stern School of Business on December 10, 1993. The program was organized by Michael Bordo and Richard Sylla, who are editing the conference volume.

Overview: Financial markets and institutions have developed in the "Anglo-Saxon" countries, the United States, Canada, and the U.K., in directions fundamentally different from those of continental Europe and Asia. The former countries are more market oriented, with major roles for bond, stock, and money markets, while the latter are more institution oriented, with German-style universal banking traditions. This "battle of the systems" is of interest to financial practitioners, to policy makers, and to scholars of financial economics, as are differences among countries operating within each tradition. For example, the U.S. and Canada, while similar in many respects, have vastly different banking systems. How and why did differences emerge between financial systems and why have they been maintained? What have been the effects of these differences in terms of economic and social welfare benchmarks? The conference brought leading economic and financial historians together with financial practitioners to discuss these questions, and also to ask whether financial systems are converging.

Banks and Banking: The first session was chaired by Ingo Walter (NYU). In "Stability and Efficiency of the U.S. and Canadian Banking Systems: 1920-1980", Michael Bordo, Hugh Rockoff (Rutgers) and Angela Redish (British Columbia) compare the U.S. banking system, characterized by unit banking (or restricted state banking), with that of Canada, characterized by a small number of banks and many branches nationwide. They ask whether the vaunted comparative stability of Canadian banking has been purchased at the cost of creating an oligopoly. Comparison between Canadian chartered banks and U.S. national banks of interest rates paid on deposits and rates charged on loans shows no evidence of monopoly returns in Canada, yet returns to bank equity were generally higher in Canada than in the U.S. Counterfactual tests, imposing Canadian ratios of securities to total assets and of loans to total assets on the balance sheets of U.S. banks, all else equal, suggest that U.S. banks would have earned rates of return on equity equivalent to those accruing to Canadian banks, had their loan and debt-equity ratios been as high as the Canadian. The authors infer that the regulatory climate allowing nationwide banking in Canada may have fostered greater efficiency as well as stability.

Forrest Capie (City University Business School-London), in "Prudent and Stable (but Inefficient?): Commercial Banks in Britain, 1890 - 1940", agrees with the standard view that after the turn of the century British banks entered into an oligopoly, but argues that the banking system did indeed provide sufficient finance to industry. Evidence that the rate of return on bank equity in the interwar period was no higher than that for industry as a whole suggests the banking industry was inefficient.

Leslie Hannah (London School of Economics), in "The Effects of Monopoly and Credit Rationing in U.K. Retail Banking, 1945 - 1979, and Their Elimination, 1979 - 1993", examines the operation of the British banking cartel after World War II. Significant barriers to entry, such as control over the clearing system, in addition to support by the monetary authorities, allowed British banks to fix deposit interest rates and to discriminate between large and small borrowers. Mediocre returns to bank capital, he argues, reflect satisficing behavior by bank managers. Increasing competition from abroad and from non-bank financial intermediaries, as well as changes in regulations in the 1970s, have in the past decade ended the inefficient practices of British banks.

These papers were discussed by Walter Cadette (Morgan Guaranty Trust) and Anna J. Schwartz (NBER). Cadette thought all three papers could benefit from taking a broader view of efficiency and stability. That is, in addition to addressing issues of how well the three banking systems did, the authors should address the effects of banking differences on the efficiency and stability of the three national economies. He thought the satisficing behavior of British bankers and their extreme concern with security might have been purchased at the expense of economic efficiency. He also speculated on the role of class stratification in banking in Britain's relative economic decline.

Schwartz saw the papers as pointing to inefficient banking in each of the countries. The seeming superiority of the Canadian system over that of the U.S., as found by Bordo *et al.*, could have resulted from factors they did not explore, especially compositional differences in deposit, loan, and investment portfolios, and possibly from differences in the taxation of banks. She wondered whether the inefficiencies Capie found in pre-1940 British banking were more the result of onerous regulations than of security-obsessed bankers, and she thought that Hannah's allegation of price discrimination by size of borrower was more likely a manifestation of differing levels of transactions costs.

Investment Banking and Financial Market Regulation: The second session was moderated by Roy C. Smith (NYU). In "The Evolution of Market Structure, Information, and Spreads in American Investment Banking, 1920 - 1990", Charles Calomiris (Illinois) and Daniel Raff (Columbia and Harvard) trace the evolution of U.S. investment banking spreads from 1920 to 1990. They find that U.S. spreads have been high relative to those of other countries, but that spreads have declined greatly since mid-century, especially for new equity issues. Empirical studies of bankers' spreads, based on the "dead books" of Lehman Brothers for the period 1925 to 1940 and on common stock spreads for 1950 to 1971, suggest that spreads are explained primarily by transactions costs, and not by monopoly power as is traditionally believed. Spreads declined dramatically after 1950, reflecting financial innovation.

In "Banker Influence and Business Economic Performance: Assessing the Impact of Depression-Era Financial Reforms", Carlos Ramirez (George Mason) and J. Bradford DeLong (UC-Berkeley and US Treasury) argue that New Deal legislation requiring separation of investment from commercial banking had deleterious effects on stock market valuations of 50 large firms. They ask whether market performance was worse because bank monitoring of firms' activities was impeded when bank representation on boards of directors was prohibited. Regressions of Tobin's "q", controlling for variations in short-run profitability and accounting for bank representation in 1929 (but not in 1939), show that banker presence improved market value in the earlier year.

Richard Sylla and George David Smith (both of NYU), in "Information and Capital Market Regulation in Anglo-American Finance", attribute to superior regulation the greater role of the stock market in British than U.S. corporate finance from the late 19th century to the 1930s. British regulation mandated company disclosures when selling stock which, in turn, improved information to investors and enhanced capital mobility. New Deal reform of securities laws and the creation of the SEC, they argued, significantly improved the availability of information in U.S. capital markets, helping them to outperform their British counterparts since the 1930s.

The papers were discussed by Barrie Wigmore (Goldman, Sachs) and J. Richard Zecher (UBS Asset Management). Wigmore, in a memorably hard-hitting discussion, lit into all three papers. He faulted both Calomiris-Raff and Ramirez-De Long for not realizing that industrial common stock underwritings were of marginal importance in the 1920s and 1930s. Moreover, the reported underwriting spreads were greatly exaggerated because of so-called give-ups: large customers and friends of the investment bankers received these give-ups and, in effect, got a lower price for investment banking services than did ordinary customers. Wigmore also contended that Ramirez and De Long misconstrued the role of investment bankers on corporate boards. Since corporations paid fees to bankers, it was more likely that control would flow from corporations to bankers than from bankers to corporations. He criticized Sylla and Smith on the grounds that capital market information had not been so limited before the securities laws of the 1930s, and that today the Euro-markets are thriving despite absence of SEC-type regulation. Two members of the audience noted, however, that a lot of Euro-market financing involves corporations that report to the SEC, and so the Euro-markets simply piggy-back on SEC disclosure.

Zecher agreed with Wigmore that voluntary corporate disclosure was fairly good before the SEC came along, and that banker control of corporations was unimportant. Bankers served on boards of corporations to get business, information, and prestige, not because they sought control. The problem with mandatory disclosure of the SEC type, according to Zecher (who once worked at the SEC), is that the SEC lawyers and accountants do not understand cost-benefit analysis. For them, costs do not matter, so companies are forced by regulation to devote substantial resources to gathering and filing information of little or no benefit to regulators or investors.

Money, Mortgage and Securities Markets: The third session was moderated by John E. Herzog (Herzog Heine

(continued on page 19)

All-UC Conference Honors Lance Davis

by Erick Eschker (University of California-Davis)

(Los Angeles) The All-UC 1993 Fall Conference was held at UCLA, November 13th and 14th. The conference was sponsored by The All-UC Group in Economic History, The Division of Humanities and Social Science–Cal Tech, The Von Gremp Endowment–UCLA, and the Agricultural History Center–UC-Davis, and was organized by Ken Sokoloff (UCLA), Mary Yeager (UCLA) and Philip Hoffman (Cal Tech). Their program paid tribute to the life-long achievements of Lance E. Davis (Cal Tech), whose reputation and stature attracted not only distinguished economic historians from California but also prominent scholars from around the country, including Robert Fogel (Chicago) and Douglass North (Washington University), this year's Nobel Economics laureates.

Stanley Engerman (Rochester) opened the conference with a tribute to Davis and an overview of his pioneering work. Lance Davis was an early advocate of bringing quantitative tools to the historian's toolbox, as well as a key player in the cliometrics movement. His textbook *American Economic History: The Development of a National Economy* (written with Jonathan Hughes and Duncan McDougall) was a classroom standard. Davis's research was initially concerned with capital markets. His work on ante-bellum New England textile mills and the relationships among federal, state and local budgets spurred many into similar research.

Appropriately, the conference's first presentation was by Lance Davis and Robert Gallman (North Carolina-Chapel Hill), on "Domestic Savings, International Capital Flows, and the Evolution of Domestic Capital Markets: The Canadian Experience", opening a session chaired by Mary Yeager on "The Study of Capital Markets à la Davis." They argue that looking at Canada, as well as at other developing countries – the USA, Argentina and Australia, can give us insight into links between capital market efficiency and economic growth. From 1865 to World War I, Canada experienced robust growth by almost any measure. In the first three decades, foreign investment in Canada was high, with Britain being the largest source of funds, fueling growth by supplementing inadequate domestic savings. After 1895, growth and foreign investment picked up, with a large increase coming from the USA. The British still invested a larger and more diversified share, while Americans chose instead to lend primarily to the government.

Steve Haber (Stanford) next presented his paper, "Capital Markets and Industrial Development: A Comparative Study of Brazil, India, Mexico, and the United States, 1840-1930". He finds that capital market development in developing countries may be exogenous. Examination of textile industries in Brazil, India, Mexico and the USA, 1840-1930, shows that capital market institutions facilitating investment did not develop as a response to growth, but led growth. In addition, growth of industry seems to have depended on the degree of access to capital. Mexico had a restrictive regulatory environment and concentration in its textile industry was high. As markets expanded, the Brazilian textile industry grew faster than the Mexican, in part due to greater access to capital by small firms.

Richard Sylla (New York University) led the discussion. He praised Haber for the high R^2 (1.00) reported in the empirical findings but criticized the anti-U.S. flavor of Davis and Gallman's piece. Why is it not sound to invest at home? Why is the US regarded as odd for not investing more broadly and in greater amounts in Canada? A simple explanation for the high rates of foreign investment from Britain, suggested Sylla, is high overseas demand and low home demand for funds. Others remarked that the Davis-Gallman piece will contribute to an understanding of early investment in the given countries. Some said they would like to see comparisons made between nations at similar stages of development, as well as at similar time periods. Davis replied that it is fine to do so if one can actually recognize the different stages, but answers to questions about development require appraising contemporaneous performance across many countries.

The afternoon session continued the previous theme and was chaired by Barry Eichengreen (UC-Berkeley). Philip Hoffman, Gilles Postel-Vinay (INRA), and Jean Laurent Rosenthal (UCLA) presented evidence of considerable private activity in French capital markets in the years before the Revolution, in "Competition and Coercion: Credit Markets and Government Policy in Paris: 1698-1790". Considering the flourishing trade in notarial obligations at the time, it does not appear that France's private sector was starved for funds. The Revolution may actually have hindered capital market development. Their story is that absence of a strong central bank in France was not problematic, since private capital needs were satisfied by other investment instruments, as catalogued in the notarial registries, and that government activity did not lead to crowding out.

Eugene White (Rutgers) presented "The Paris Bourse Before 1815", written with Emmanuel Thiveaud (Rutgers). They also investigate credit availability in the Old Regime, but come to different conclusions. The very thin securities market was regulated by the French Government and transactions were restricted by the specific structure of the Paris Bourse, the trading floor for secondary securities. Its unconventional policy included restrictions on broker/customer contact, announcement of trading prices and limited broker autonomy. The result was a smaller and less liquid market for secondary securities than found elsewhere.

John Nye (Washington University), the discussant, asked White how much the government must show confidence and overcome prejudice in the market, and said that Hoffman *et al.* depended too much on reports of volume and not enough on price. Both sets of authors may have jumped to conclusions without adequate support, since volume data alone cannot be used to test for crowding out. White replied that full empirical analysis had been delayed because the precise meaning of the available prices was not yet clear, and Hoffman and Rosenthal remarked that their evidence indicates a great deal of private debt, which was growing faster than the economy in the 18th century.

The last session of the day, "Long-Term Trends in the American Economy", was chaired by Ken Sokoloff. Richard Easterlin (USC), in "Industrial Revolution and Mortality Revolution: Two of a Kind?", draws our attention to the changes in mortality and life span that not only *followed* the first Industrial Revolution, but which were also more widely geographically dispersed. Recently, many LDCs have likewise experienced great reductions in mortality without substantial economic growth. Easterlin suggests that the causes of both are similar, and that economic historians would be well served by studying the interplay between economic growth and reductions in mortality.

Ensuing discussion generally acknowledged need for further research, but appealed for a clearer hint about the direction such research should take. Gary Libecap (Arizona) did not agree with Easterlin's tough appraisal of the contribution of private property rights to health and mortality improvements. Although Easterlin suggests that private property rights may have hindered advances in health technology, Libecap spoke of cases where health advances had been facilitated by security of property rights.

The Conference adjourned until that evening's banquet in honor of Lance Davis. The splendid dinner arrangements were matched by the quality of economic historians gathered. Robert Huttenback emceed the evening and presented Lance with the highest of awards: "The Order of the White Sock." Many of those present spoke of Lance's powerful influence, including Robert Cull, Richard Easterlin, Robert Fogel, Douglass North, Alan Olmstead (UC-Davis), and John Nye.

The next morning, Chair Gary Libecap introduced Claudia Goldin (Harvard), who spoke on "The Making of Educated Americans", calling attention to the contributions of education and human capital investment to 20th-century American growth, with emphasis on secondary schools. She argues that increasing high school attendance and graduation rates, and changes in secondary school curricula, rather than rising college enrollment, meant the most for income growth. In 1900, the proportion of high school graduates going to college was higher than in the immediately following period. Beginning about 1920, high school students began increasingly to graduate into high-paying industrial jobs; during the 1930s and World War II there were pronounced declines in high school enrollments. Regression analysis shows that in industrial regions students were more likely to leave high school before graduation. Responding to rising job opportunities for high school drop-outs, junior high schools altered their programs between 1920 and 1940. Policy makers felt that uniform vocational education was needed, and junior high schools incorporated shop classes into the curriculum.

In discussion, Goldin was asked why the percentage of unskilled workers, rather than semi-skilled, seemed to play such a minor role in explaining school attendance, since the unskilled would be most able to leave school to take available jobs. Others commented that the findings suggest a different role for educational decisions (reflected in the drop-out rate), since enrollment in high schools fell both in the 1930s (with decreasing job prospects) and during the War (with increased real wages).

Gavin Wright (Stanford) chaired the next session, "Emerging Markets and Economic Institutions." John

(continued on page 21)

Cliometrics in Japan

by Yasukichi Yasuba (Osaka Gakuin University)

*Editors' note: From November 3rd to 9th, Professor Yasuba published a series of articles in a leading Japanese newspaper, **Nihon Keizai Shinbun**, discussing quantitative economic history and the significance of the 1993 Economics Nobel Prize.*

He summarized the origins and development of cliometrics in the USA, provided sketches of Fogel and North and their works, and discussed other American scholars in an article called "Those who follow." Yasuba's closing contribution is reprinted here in his translation.

Finally, some remarks on the development of cliometrics in Japan.

There are two major groups in Japan, namely the economists who estimated the Long Term Economic Statistics, and the economic historians, mostly members of the Socio-Economic History Association of Japan, who form the Quantitative Economic History Group.

The first group, headed by the late Kazushi Ohkawa, has estimated and compiled long term economic statistics encompassing the period from the Meiji to the postwar years in the framework of exact social accounting. This has provided a mountain of quantitative data to be analyzed by other economic historians. The contribution is so valuable that the present author once called it "the greatest milestone for empirical economic research in postwar Japan." The empirical analysis by the members of the group include books by Kazushi Ohkawa and Henry Rosovsky, Miyohei Shinohara, Shozaburo Fujino, Ryoshin Minami and Ippei Yamazawa, and the proceedings of two "Growth Conferences." These works are highly regarded as the empirical studies of Japan's development and business cycles since Meiji.

When it comes to the quantitative studies of Japanese economic history, however, the mainstream is occupied by the works of the Quantitative Economic History (QEH) Group, consisting of such economic historians as Hiroshi Shinbo, Akira Hayami, Osamu Saito, Yuzo Yamamoto, Matao Miyamoto, Mataji Umemura and Shunsaku Nishikawa. The present author has been a member since the Group's initiation more than 25 years ago. Members have presented their studies on Japanese economic history at meetings of the QEH Conference, the Socio-Economic History Association of Japan, The Cliometric Society, and the Econometric Society. Some of the studies have been collected in the three volume *Essays in Quantitative Economic History* (in Japanese).

Many of the findings of this group, like those of the New Economic Historians in the United States, are so iconoclastic as to be worth mentioning. They include Akira Hayami's finding that much of the fertility decline in the Tokugawa period was brought on by postponement of marriage by the poor, Kazui Tashiro's "discovery" of the Korean trade through Tsushima as the major outlet for silver during the Tokugawa Period, the "proof" of the absence of disguised employment in Choshu province in the Tokugawa Period by Shunsaku Nishikawa, Nishikawa's estimation of an input-output table for the same province in the 1840s, and the present author's "discovery" of the small military and cheap government in 19th-century Japan, which was characterized by the slogan of "a rich nation and the strong military."

The members of the Quantitative Economic History Group, with the help of Takafusa Nakamura and others, recently published an eight volume *Economic History of Japan* (in Japanese) from Iwanami Book-Store. This shows the state of cliometrics in Japan. *The Economic History of Japan* was well-received (its English-language version will be published from the Oxford University Press), but it was met by complaints from traditional economic historians that it tended to disregard the achievements of traditional historians. *Nihon Keizai no Nihyakunen (Two Hundred Years of the Japanese Economy),* forthcoming from Nihon Hyoronsha, is expected to provide a more definitive response to such complaints.

ASSA Report *(continued from page 8)*

this period. The theoretical model would benefit from a sharper description of technological change and the kinds of substitution effects documented in the historical record: changes in the employment of women and blacks and the south-north migration.

Dora Costa (MIT) asked in the next paper whether data from a sample of pension records of Civil War veterans linked to the 1900 Census supported a search interpretation of the secular increase in unemployment after 1900. The search model implies that increases in income or unemployment benefits could raise unemployment rates either by raising rates of entry into unemployment or by prolonging job searches. Conditional logit analysis suggests that the larger the pension, the greater the probability of lengthy unemployment. Her calculations also suggest veterans with higher pensions had lower exit rates and, hence, longer durations of unemployment.

Sam Williamson's comments focused on the usefulness of the data source and the strength of the implications to be drawn from the analysis. Civil War pensions had a social significance different from contemporary unemployment insurance, the focus of much current literature. Excluding the retired from the sample and estimation may also be inappropriate if boundaries between unemployment and retirement status were fuzzier in 1900 than today. The Civil War pensions were quite unusual and may not help much in predicting post-1900 behavior arising from increases in wealth or from the introduction of unemployment insurance. He noted also that changes on the demand side of the market, including the difficulty of job matching, may help explain secular trends in unemployment rates. Margo questioned whether Costa's results can bear the weight of explaining long-term trends. While the income-unemployment relationship is appropriate for short-term partial equilibrium analysis, it does not necessarily hold as a general-equilibrium result.

Wednesday, January 5, 8:00 a.m.: Ankle-deep snow, biting winds, and the cumulative impact of the low (conditional) rates of exit from the previous night's Nobel revelries could have dampened enthusiasm at the final session on 'Collective Action and Outcomes', chaired by Martha Olney (Massachusetts-Amherst), but they didn't. The collectivity repeatedly forced Olney to take vigorous action to prevent discussion from exceeding the allotted duration.

Michael Huberman (Trent) led off with a paper, written with Denise Young (Alberta), testing two hypotheses about determinants of the length of strikes in Canada between 1900 and 1914. Labor economists contend that workers use strikes to extract information about the profitability of the firm. This hypothesis leads to a clear prediction of positive duration dependence: the probability of a strike ending the next day rises with the length of the strike as workers accumulation more information. Labor historians stress the role of strike waves and the diversity of Canadian regional and sectoral experiences. The estimated hazard functions showed little regional or sectoral influence on strike length. Contrary to the prediction of the information view, the likelihood of the strike ending the next day actually fell as the strike wore on. The paper argued for a look at explanations outside the traditional literature.

Gerald Friedman (Massachusetts-Amherst), while pleased that Canada was receiving attention in a field long dominated by the Big Three (US, Great Britain, and France), questioned whether the hazard specification was appropriate, given the very low median strike length. He argued that the specification could be improved by controls for heterogeneity (which may cancel out the negative duration-dependence result), controls for city size, and by thinking a bit more about what determined strike success and failure. He asked for an evaluation of Canadian experience in light of the comparative history of unionism and as a case study of a union movement in a 'small country', many of whose unions were affiliates of US-American internationals. His comments prompted a lively discussion about the potential for international comparisons. Kiesling suggested the small size of the Canadian economy would mean that firms were price-takers in the world economy and constrained more than those in a large economy such as the US. Brown countered that a small protected economy such as Canada's may provide firms with market power and a larger surplus to be shared with unionized workers. Heim suggested that rising probabilities of strike settlement with duration may also reflect dwindling strike funds. Leibowitz suggested a look at contemporary explanations for strike duration, and Johnston requested more detailed discussion of changes in the legal environment in which strikes took place.

After Chair Olney enjoined further discussion of Canadian strikes, Eugene Sigel (Massachusetts-Amherst) presented a paper on the causes of Populism. He argued that a combination of farmer responses to the appearance in the late 1880s of a crop pest, the chinch bug, and to subsequent changes in weather conditions, was the trigger initiating the populist protest of the 1890s in the heart of Populism, Kansas. The late 1880s saw an emergence of a serious chinch bug infestation. Since the bug's reproductive cycle required wheat and then corn over the crop year, growing exclusively one crop or the other offered a means to control it, but substantially raised the income risk to the farmer. Those Kansans who had migrated from the American Midwest held human capital in raising corn and tended to choose corn. Immigrants to Kansas from Germany and Russia tended to have human capital in growing wheat, and they bet on wheat. Drought obliterated corn crops in 1890, and Populism suddenly emerged in protest. Logit regressions of town-level votes for Governor in 1890 implied that absence of a drought alone would have cut the vote for Populists by up to one-third in rural areas. The impact would be strongest in those areas with insignificant immigrant populations.

Commentator Robert McGuire (Akron) praised the paper's assessment of a diverse literature on Populist protest and its identification of the key issues of timing and location. He addressed three features of the paper: its assumption that non-immigrant Kansans were relatively slow to learn about growing wheat (despite the risks of raising corn), the strong interpretation of the results focusing on income losses or variability as the most important single cause of Populism, and the need to embed the paper in the broader literature on farm protest. In addition, he raised some questions about sample selection (the study excluded western Kansas) and about simultaneity bias for some measures of discontent with railroad siting decisions. Friedman asked for a more detailed description of the other candidates in the gubernatorial election of 1890 and for a comparison of Kansas with other states. Sam Williamson asked for contemporary evidence that voting Populist was a rational response to income losses resulting from drought. McGuire asked for further clarification of differences in voting laws across states that may have made Kansas elections particularly accessible to the Populists. Johnston countered by suggesting that Sigel's strategy of separating the 'spark' of the movement from the propagation mechanism may be consistent with a reasonable model of political movements, which eventually acquire their own dynamic.

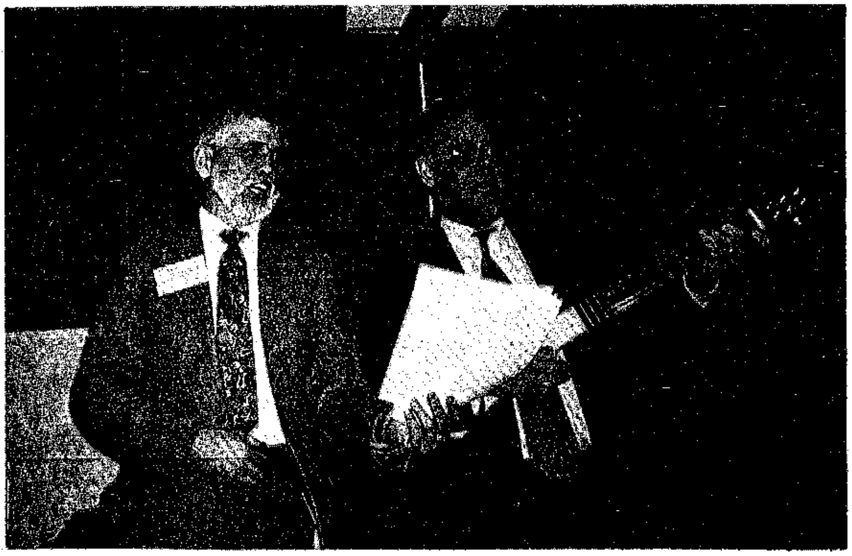
For the last time, Olney reined in the discussion so the floor could be turned over to Kyle Kauffman (Wellesley), who argued in his paper that Army procurement during the Civil War, which heavily favored the mule over the cheaper horse, actually reflected cost-minimizing behavior. Unlike Johnny Reb, the soldier in the Union Army was issued army animals for draft purposes. Qualitative evidence points to severe difficulties in preventing abuse of these animals by soldiers. While offering equivalent strength, stubborn mules resisted over-exertion but horses could literally be worked to death. Results from a regression on a panel of army camps over the period 1863-66 implied that, for those camps where a high ratio of soldiers to officers raised monitoring costs, mules were more likely to be used than at posts with a more even balance of officers and soldiers.

Richard Steckel (Ohio State) commented on the paper's modeling and empirical strategies as well as its place in the bigger picture. More evidence that officers had an incentive to be effective principals for the government would strengthen the theoretical model. Possibly just a few observations had heavily influenced the estimated coefficient in the regression. Finally, more discussion of the broader context would help, perhaps in terms of the literature on effectiveness of government bureaucracies as allocators of resources. An estimate of the social saving resulting from cost-minimizing behavior (*versus* some other model of behavior) would make this account more compelling. Friedman opened the discussion by suggesting that a strong test of the paper's hypothesis required specifying alternative explanations for use of mules *versus* horses, such as terrain or the likelihood of combat. Brown observed that a fixed-effects model, given the panel composition of the data set, might control for unobservables. Nardinelli had the last word of the Clio sessions, asking that a general account of the Union Army's procurement practices during the War Between the States be provided to buttress the historical context of the paper.

The Society's sessions offered an informative overview of the wide scope of quantitative economic history. Despite the diversity of papers, an important emerging theme was the strong interest in understanding sources and consequences of government policy for economic change. Examinations of the role of government went beyond traditional preoccupations with tariff, taxing, and spending policy, and explored instead the kinds of rules governments enforce and their influence on decision-making. Likewise, authors applied a wide range of modeling and econometric techniques to answer questions in light of underlying historical issues. With the help of the Clio format, participants engaged in thought-provoking discussion. The sessions demonstrated how the achievements of this year's Nobel Prize winners have profoundly influenced both the approach and practice of current scholarship in economic history.

The Ballad of Bob and Doug

Lyrics by Don McCloskey
(Sung to the tune of "The Ballad of Harry Bridges," a 1948 labor movement song)



Demonstrating his versatile talents, Don McCloskey played his guitar as party guests sang the ballad he wrote for the occasion. Sam Williamson joined Don in leading the group.

We're gathered now this frosty night
Because the canny Swedes
At length have seen that science
Needs more than blackboard screeds.
To Bob and Doug we dedicate
Our evening of good cheer;
Raise up your voice in harmony:
True science is what's here.

Chorus:
Oh, Princetonians are worried
Minnesotans are all scared:
They haven't got a *No*bel to their names.
But we ain't a-gonna let them
Theorize the stylized facts:
We'll fight for econ history,
And build the CLI-eye-O.

Let me tell you of a scholar,
Bobby Fogel is his name,
An honest ec his*tor*ian
Who the old guys tried to tame.
He left his home in *New* York
To Baltimore did go.
Hitched up with Simon Kuz-nets:
The outcome you all know.

Chorus

Let me tell you of another,
Dougie North is what he's called.
A pioneer in Washington,
To Wash U he was hauled.
He straightened out the *JEH*,
Put transport on the map,
Hitched up with Steven N.S. Cheung,
At the old Transaction Gap.

Chorus

These two we join in honoring
Tonight and every day:
With Jon and Lance and Stan-uh-ley
They made the field that way –
That we can fight for what is right,
Without a sour face;
Shift down our gears in rounds of beers,
Put science in first place.

Chorus, twice normal volume.

The music for 'The Ballad of Bob and Doug' is available in The Music Archives folder on our file server.

Announcement
The Cliometric Society C Session
Eleventh International Economic History Congress
Milan, Italy September, 1994

The Selection Committee for The Cliometric Society C Session at the Milan Congress is pleased to announce the five papers chosen for presentation. Summaries of the papers will be published as an insert in the July *Newsletter of The Cliometric Society*.

"The Economic Progress of Immigrants in the Mid-19th Century United States: Results of Recent Research": David Galenson, Department of Economics, University of Chicago.

"Profitability of Japanese Imperialism in Korea, 1910-39": Mitsuhiko Kimura, Faculty of Economics, Tezukayama University.

"Excess Female Mortality During Early German Development: An Analysis of Village Genealogies": Stephan Klasen, Department of Economics, Harvard University.

"The Concentration of Industry in the Leading Regions of Russia at the Beginning of the 20th Century (Some New Quantity Methods of Data Analysis and Processing for the Period 1909-1914 in Petersburg and Central Industrial Regions)": Elena V. Lobanova, Institute of World History, Russian Academy of Sciences.

"Gold Points and Real Exchange Rates: 1815-1854": Maria Cristina Marcuzzo, Dipartimento di Economia Politica, Universita di Modena, and Annalisa Rosselli, Dipartimento di Scienze Economiche, Universita di Firenze.

The three and one-half hour session will be conducted like the Clio sessions at the ASSA. For each paper, the presenter and discussant will speak for about 15 minutes, with remaining time available for general discussion. We encourage our members who will be in Milan to attend this session. If you would like to be a discussant, please contact Samuel H. Williamson by **May 15, 1994,** at the address below.

While in Milan, we plan to demonstrate the CS file server to Congress participants during our session or at a time and place to be announced. We hope to see you there.

The Cliometric Society
Miami University
Oxford, OH 45056 USA
Telephone: 513-529-2850
Fax: 513-529-6992
E-mail: swilliamson@cs.muohio.edu

Anglo-American Report *(continued from page 10)*

Geduld and Museum of American Financial History). The first paper was by John A. James (Virginia) on "The Rise and Fall of the Commercial Paper Market, 1900 - 1930." James describes the evolution of this market after the Civil War as a response to regulatory restraints on commercial bank lending. The market was given a fillip by the establishment of the Federal Reserve, since commercial paper eligible for rediscount at the Fed could serve as banks' secondary reserves. Nonetheless, the market went into tailspin during the 1920s. James explains the decline of commercial paper by growth in numbers of large commercial banks, substitution of bank lending for commercial paper, and growth of long-term bank loans. After the New Deal the commercial paper market re-emerged as regulatory restraints again hobbled commercial bank lending.

Kenneth Snowden (North Carolina-Greensboro), in "Mortgage Securitization in the United States: 20th-Century Developments in Historical Perspective", considers why the institution of successful mortgage securitization in the U.S. awaited the 1970s, whereas in Europe there were many 19th-century precursors. In the late 19th and early 20th centuries, private attempts to emulate European government-backed schemes were ultimately unsuccessful because of inadequate contract monitoring. Several programs were established by the federal government during the 1920s and 1930s, but by 1940 all had been abandoned for a variety of reasons. Only after 1970 did two Depression-era agencies (FHLBB and FNMA) restore government support for mortgage securitization.

In the third paper, "The New York Stock Market in the 1920s and 1930s: Did Stock Market Prices Move Together Too Much?", Peter Rappoport (J.P. Morgan) and Eugene White (Rutgers) show that there was 'excess comovement' in stock prices during and after the stock market boom of the late 1920s. Their work suggests that fad or crowd psychology may have been driving stock prices during the stock market boom and crash years. They note that their results depend on whether they have accurately modeled and measured the fundamental economic and financial factors that should have determined stock prices, and on their assumption that realized values of stock returns can be used to test theories dealing with anticipated values.

H. Peers Brewer (Chemical Bank) and William N. Goetzmann (Columbia) discussed the Session III papers. Brewer questioned James's large-bank explanation of commercial paper's 1920s decline. There were many large national banks around before the commercial paper market declined, and there were also many large state-chartered banks, the latter ignored by James. Brewer suggested that increased bankruptcies in the early 1920s induced bankers to back off from unsecured commercial paper. Praising Snowden's paper as a masterly synthesis of a Gothic tale, Brewer nonetheless doubted that mortgage lenders had the severe informational deficiencies relative to borrowers that Snowden posited. Neither borrowers nor lenders, Brewer thought, were very good at predicting real estate values. In regard to Rappoport-White, Brewer speculated that the fads and crowd psychology of the 1920s stock market resulted from broker concentration on industries and firms with large capitalizations, and hence greater transactions and commission potential, as brokers attempted to lure into their fold the decade's many new and untutored individual investors.

Will Goetzmann focused his comments on the Rappoport-White paper. What are excessive co-movements of stock prices (*i.e.*, fads)? This poses difficult econometric problems. Goetzmann reviewed various approaches, including that of Rappoport-White, and found that all are limited by uncertainty about whether the so-called fundamental determinants of stock prices are isolated by the econometric models. These three papers, he thought, were related to an emerging theme of the conference, namely, that financial markets at their heart are markets in information, a viewpoint potentially fruitful for integrating institutional developments, people, and events with formal economic models.

Intermediation, Foreign Investment, and Financial Integration: The fourth and final session was moderated by Michael Edelstein (Queens College, CUNY). Paul Wachtel and Peter Rousseau (both of NYU), in "Financial Intermediation and 20th-Century Economic Growth: A Historical Comparison of the U.S., U.K. and Canada", relate the degree of financial intermediation in the U.S., the U.K. and Canada over the past century with economic growth and other measures of economic performance, using several alternative measures of financial intermediation. Granger causality tests reveal a significant pattern of temporal causation running from financial intermediation to economic performance for all three countries, with strongest results for the U.S. Significant

Granger causation is also found between particular categories of financial intermediaries, such as commercial bank assets and life insurance company assets, and economic performance.

Ann Carlos (Colorado) and Frank Lewis (Queen's, Ontario), in "Foreign Financing of Canadian railroads: The Role of Information", extend the "lemons model" to explain the pattern of British foreign investment in Canadian railroads in the period 1896 - 1914. According to their model, foreign investors faced with less information than their domestic counterparts will purchase securities only with a government guarantee or other signal of lower risk. This was the case among three Canadian railroads. Most British funds went to Canadian Pacific, whose bonds were guaranteed by the Canadian government.

In "The More Perfect Union: Regional Interest Rates in the United States, 1880 - 1960", Howard Bodenhorn (Lafayette) argues against the traditional view that wide differentials in regional U.S. interest rates in the post Civil War period were gradually eliminated by institutional developments integrating geographically distinct markets. Rather, much of the observed interest rate differentials can be explained by region-specific risk, as shown in regressions of regional interest rates on a number of region-specific economic variables.

Like good economists, Lance Davis (Cal Tech) and Peter Temin (MIT) divided their labors in discussing these papers. Davis dealt with Bodenhorn and Carlos-Lewis, doubting whether Bodenhorn's model and variables adequately captured the risks that allegedly caused interregional interest rate differentials more or less to disappear. Bodenhorn would have the last word on this issue, he said, only if economic historians had reached a state of "terminal boredom" with it. Davis questioned Carlos-Lewis's application of the "lemons" model to Canadian railway investment. Despite the supposed informational asymmetries, he noted, his own research showed that the British had invested in a host of small, little-known railways in both the U.S. and Canada – companies whose interesting names Davis mentioned at length and with considerable relish.

Temin had the last words of the conference, noting that the three papers were old wine (old problems of economic history) in new bottles (new analytical techniques), and focusing on the Wachtel-Rousseau paper. He wondered whether the Granger causality technique, a regression method developed for studying financial markets with an implicit rapid effect of one change on another, was appropriate for studying the effects of financial intermediation in history. Would changes in intermediation, however measured, have measurable effects on the economy in a year or two? Or would they, as traditionally held, show up in improved allocational efficiency over a longer period? Moreover, causality analysis can say nothing about *how* financial intermediation affects economic performance.

Call for Papers

The Quantitative Economic and Social History Conference will take place at Peterhouse, Cambridge, England, September 9th and 10th, 1994.

Submit your paper or a detailed proposal, or your request to attend the Conference, as soon as possible to:

Solomos Solomou
Peterhouse
Cambridge CB2 1RD
United Kingdom

All-UC Conference *(continued from page 12)*

Majewski (UCLA) examines ante-bellum northern and southern railroad development in "Urban Investment versus Local Enterprise: Railroad Financing in Pennsylvania and Virginia, 1830-1860." He compares the expansion of railroads into Albemarle County, Virginia, with the growth of rail lines in Cumberland County, Pennsylvania, showing that the northern county relied more heavily on non-local investment, particularly from Philadelphia, while the southern county funded line construction through local boosters and, eventually, state aid. He infers that the South did invest locally, while the North relied on foreign (non-local) investment. Any failure in the South was due to the lack of urban centers from which capital could be drawn. Majewski concludes that the long-run effect of railroad development on growth in the South may have been negative, since, in response to local investors, southern rail lines did not interconnect southern markets in ways that northern routes did.

Clayne Pope (Brigham Young), the discussant, began with a plea for closure in Majewski's arguments. What was the incentive of the Southern local investor? Was it to increase land rents? Pope suggested comparing those who did invest locally in the South with those who did not. Lastly, what explains the South's great success with local boosters? Wright stressed that the paper does highlight North-South differences. Others asked about returns to alternative investment in the South.

The last paper of the session was presented by Shawn Kantor (Arizona), co-author of "Insurance Rationing and the Origins of Workers' Compensation" with Price Fishback (Arizona). Their look at institutional change investigates provision of work-related accident compensation. The Supreme Court's switch from "negligence rules" to strict "liability rules" and the introduction of worker's compensation early in this century meant coping with many asymmetric information problems, since employers rather than employees were the insured. A key issue is to what degree these changes resulted in efficiency gains. If employees were rationed when buying accident insurance, the changes may have been welfare-improving. Kantor and Fishback use a model that predicts workers' precautionary savings will be high if private insurance is rationed; their evidence that savings declined with the introduction of worker's compensation supports the contention.

Richard Sutch (UC-Berkeley) questioned the very "general" nature of the model and suggested strengthening the formal link between their model and their empirical results – results that he finds promising and exciting.

Jeffrey Frieden (UCLA) chaired the final session, on "Emerging Capital Markets in England and Brazil." In "Banking Activity and Bank Profitability: Sao Paulo, 1880-1905", Anne Hanley (Stanford) takes issue with the commonly-held view that banking reform in late 19th-century Brazil led to supply-side changes which increased investment in industry. In particular, she finds no evidence that the coffee boom of the turn of the century was funded through vigorous efforts of the banking sector. Instead, Hanley shows that banks remained committed to short-term commercial loans, and that the most profitable banks made loans to the export and service sectors, not to industry or agriculture.

Frieden agreed that traditional stories about financing Brazilian industrialization are probably wrong, but called for a more precise analytical case study. In particular, how was industrialization funded? Perhaps banks were making loans to industry and simply rolling them over, which would explain banks' apparent preference for short-term loans. Lastly, the rate of return used in comparing banks should be adjusted for risk. White added that the only large industrial bank observed was perhaps adequate to handle all credit demands.

The last paper of the conference, "The English Private Capital Market, 1540-1837", was presented by Greg Clark (UC-Davis). Clark constructs series of interest rates from the 16th to 19th centuries with data from most regions in Britain. Throughout the country, small inter-regional interest rate differentials indicate mobile capital. Crowding out does not seem to have been a problem, even during the Napoleonic Wars, when government debt rose considerably. Political turmoil and bubbles had similarly small effects on interest rates in all regions. Clark's story, in essence, is that capital markets in England functioned relatively well.

Discussant Jack Goldstone (UC-Davis) seriously doubted Clark's findings. How is it that the Glorious Revolution and the Napoleonic Wars did not strain capital markets and show up in Clark's series? Perhaps parish land sales, from which the interest rates were calculated, are not representative of the larger economy.

All present applauded the conference organizers both for a program of high quality and for their superb local arrangements. The papers had brought new evidence to familiar debates and had suggested areas where further research is needed. Lunchtime discussion centered on the weekend's papers and the high expectations for the group's upcoming spring conference on "Fiscal Crisis in Historical Perspective," which will take place in Berkeley, April 8-10, 1994. Members of the steering committee are Michael Bernstein (UC-San Diego), Chair, Elliot Brownlee (UC-Santa Barbara), Alan Olmstead, John Quigley (UC-San Diego), and Steven Sheffrin (UC-Davis).

Announcement

1994 President's Book Award

The Social Science History Association announces its annual President's Book Award of $1000 for an unpublished work by a beginning scholar. Manuscripts submitted may be under consideration for publication, but a book must not be in print before the prize is awarded in November. (A letter of verification from the publisher will be required.)

Entries will be judged on their scholarly significance, interdisciplinary reach, and methodological innovativeness, within the broad category of work analyzing past structures and events and change over time. Possible topics include, but are not limited to, studies of family and demography, popular mentalities, political economy, state-society relationships, electoral and legislative behavior, and history of the social and behavioral sciences.

Members of the 1994 awards committee are D'Ann Campbell, Chair (History, Austin Peay), Fred Carstensen (Economics, University of Connecticut) and David Kertzer (Anthropology and History, Brown).

Send three copies of the manuscript by **June 1, 1994**, to:

Professor D'Ann Campbell
COAS
Austin Peay State University
Clarksville TN 37043

Telephone: 615-648-7971 Fax: 615-648-7475 Internet: coas@zeus.apsu.edu

CALL FOR PAPERS
1995 ASSA Meetings

The Cliometric Society will sponsor four sessions at the ASSA meetings in Washington, DC, January 6-8, 1995. As in the past, we will co-sponsor a session with the American Economic Association. The Selection Committee will be co-chaired by John James (University of Virginia) and Barbara Sands (University of Arizona). Please share this announcement with colleagues and students who may wish to submit their work.

Authors interested in presenting papers should send two copies of a two to five page proposal to The Cliometric Society. Authors must be able to send a 3,000 word paper summary to the Society office by the deadline date, for publication as an insert in the October *Newsletter*. At least one author must be a member of The Cliometric Society.

The Cliometric Society
Miami University
Oxford, OH 45056
USA
Telephone: 513-529-2850
Fax: 513-529-6992
E-mail: csociety@cs.muohio.edu

Relevant Dates:

Two copies of paper proposals to The Cliometric Society	**May 15**
Authors notified of acceptance of papers	**July 1**
Paper summaries due at The Cliometric Society office	**September 1**

THE CLIOMETRIC SOCIETY
MIAMI UNIVERSITY
OXFORD, OH 45056 USA

OXFORD OHIO 45056

NON-PROFIT ORG.
U.S. POSTAGE
PAID
Permit No. 40