2012 Clio Abstracts

Eric Monnet
Monetary policy without interest rates. An evaluation of quantitative controls during France's Golden Age, 1945-1973

This paper studies the French experience with temporary quantitative controls from 1948 to 1973. First, I explain why a quantitative monetary policy uses by nature many instruments (including controls both on the credit supply and on the money supply) that negate the role of interest rates and why this policy cannot be measured in the usual way. Second, I use a narrative approach, relying on various archival records, to build an accurate measure of this quantitative policy. The proposed measure takes into account the duration of restrictive episodes and is treated endogenously in a SVAR. Contractionary monetary policy shocks decreased production and inflation significantly. The impulse response functions show a pattern very similar to standard VAR studies despite the sample, the country, the type of monetary policy and the identification method being all quite different. On the contrary, using interest rates as measures of monetary policy does not provide any consistent result. These results offer a revisionist account of postwar monetary policy under Bretton Woods and before the Great Inflation.

Marlous van Waijenburg and Ewout Frankema
Structural impediments to African growth? New evidence from real wages in British Africa, 1880-1965

Recent studies on African economic history have emphasized structural impediments to African growth, without showing that African poverty has been a historically persistent phenomenon. This study provides new evidence on long-term African growth-trajectories. We show that slave trade regressions are not robust for pre-1970s GDP per capita levels. We present urban unskilled real wages in nine British African colonies (1880-1965) and conclude that these were above subsistence level, rose significantly over time and were, in some places, considerably higher than in Asia. We explain the intra-African variation by differences in colonial institutions concerning land alienation, taxation and immigration.

Timothy Guinnane, Howard Bodenhorn, and Thomas Mroz
Sample selection bias in the historical heights literature

Over the past thirty years, an extensive literature has developed that uses anthropometric measures, typically heights, to draw inferences about living standards in the past. Much of this literature relies on micro-samples drawn from sub-populations that are themselves selected: examples include volunteer soldiers, prisoners, and runaway slaves, among others. Contributors to the heights literature sometimes acknowledge that their samples might not be random draws from the population cohorts in question, but rely on normality alone to correct for potential selection into the sample. We argue that selection cannot be resolved simply by augmenting truncated samples for left-tail shortfall. Consequently, widely accepted results in the literature may not re ect variations in living standards. Observed heights could be predominantly determined by the process determining selection into the sample. We use a simple theoretical model combined with simulation and econometric results to make our point. A survey of the current historical heights literature illustrates the problem for the three most common sources: military personnel, slaves, and prisoners.

Aldo Musacchio and Andre Martinez-Fritscher
Colonial Institutions, Trade Shocks, and the Diffusion of Elementary Education in Brazil, 1889-1930

In this paper, we examine the role of trade shocks in promoting the diffussion of elementary education in semiindependent subnational units (provinces) in Brazil. The idea is that trade shocks affect asymetrically the tax revenues of state governments and, thus, their expenditures on elementary education per capita according to what colonial institutions they have. States with more egalitarian and democratic institutions use positive trade shocks to invest on education, while the opposite takes place in states with worse institutions. Using state-level data on government revenues and expenditures on education for the period 1889 to 1930 we find that positive trade shocks increased expenditures on education per capita and led to higher literacy rates and more schools per children. The resulting distribution of human capital across states persists until today.

Andrea Matranga
Seasonality, Storage and Farming: Explaining the Neolithic Revolution as a Global Phenomenon

Surprisingly, the vast majority of hunter-gatherer populations that begun to farm experienced a general worsening in their health, as evidenced by their skeletal remains (Cohen and Armelagos 1984). The existing literature has interpreted this finding as due to unintended side-effects of sedentary life, such as rapid population growth and oppressive social structures (Diamond 1987), or a requirement for greater military investment (Rowthorn and Seabright 2011). This paper attempts to resolve the puzzle by analyzing separately the incentives to become sedentary and to farm. I show that since sedentary life allows for storage of wild foods (Testart 1982), a nomadic population subject to an increase in the seasonality of its food supply may find it optimal to transition, even though their agricultural technology is still too primitive to compensate for the loss of food sources too dispered to exploit as settlers. The model also highlights how agriculture itself is more attractive in seasonal locations: as the environment is barren for part of the year, the opportunity cost of labor expended in land preparation is low. The model predicts that the adoption of agriculture should be: a) associated with a reduction in seasonal consumption patterns b) occur in locations with high seasonality in food production and high average productivity, i.e. where there are obvious incentives to store the summer abundance; c) appear shortly after a global increase in humanity's exposure to seasonal climatic conditions. I use health markers from bones of Neolithic populations to show that seasonality indeed decreased, and I analyze the evolution of global weather patterns and their relation to the transition to support the assertions in b) and c).

Katharine Shester
The Local Economic Effects of Public Housing in the United States, 1940-1970

Between 1933 and 1970, over 1 million units of public housing were built with federal funds and operated by local public housing agencies. New building was subsequently curtailed as many came to believe that public housing intensified the negative effects of poverty and segregation, with potentially strong local spillovers. I find that communities with high densities of public housing had significantly worse economic outcomes in 1970 in several dimensions: lower median family income, lower median property values, lower population density, a higher percentage of families with low income, and a higher percentage of female-headed households. A variety of further tests suggest that these empirical links are causal. Part, but not all, of the effects appear to work through changes in human capital. Interestingly, I find no negative effects of public housing in 1950 or 1960, implying that long-run negative effects only became apparent in the 1960s, or that decade-specific factors interacted with public housing in a way that intensified negative local spillovers.

Daniel Fetter

The Home Front: Understanding the rapid wartime increase in home ownership

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Abstract: The rate of US home ownership increased by 10 percentage points between 1940 and 1945, despite the paucity of housing construction during World War II. I discuss possible reasons for this increase, emphasizing a hypothesis put forward by Friedman and Stigler (1946), among others. Specifically, I show evidence suggesting that wartime rent control contributed to this rise by stimulating the withdrawal of structures from the rental market for sale to owner-occupiers at uncontrolled prices. Using newly digitized data from intercensal housing surveys at the city level, I show that cities where house prices were likely to have had greater increases over controlled rents -- measured by the deviation of maximum pre-control rents from their frozen level -- saw greater increases in home ownership. The relationship appears to be driven by this deviation, rather than the degree of rent appreciation itself. The results suggest that rent control may have played an important role in the rapid wartime and postwar increase in home ownership.

Martha Bailey and Nicolas Duquette

How the U.S. Fought the War on Poverty: A Quantitative Analysis of the Politics and Economics of Funding at the Office of Economic Opportunity

Since the 1970s, President Lyndon Johnson's "War on Poverty" has been deemed a failure. But, understanding what failed depends on how Johnson's domestic war was waged. For instance, was funding ineffective because it was motivated by the politics rather than the needs of communities? While many studies examine the success of particular programs that emerged from the War on Poverty experiment, ours provides a quantitative analysis of the determinants of the OEO's discretionary spending: where funds went and what predicts these outlays. We find that OEO discretionary funding flowed to states with higher poverty rates and states that Johnson narrowly lost in the 1964 presidential election. Although there is little evidence that race politics mattered, state-level mobilization for the Vietnam War played a key role in determining discretionary funding.

Dan Bogart

A Small Price to Pay: Regulation and Rates of Return in British Infrastructure during Industrialization

Britain had the world's largest privately funded and operated transport network during its industrializing era from 1700 to 1830. Although there was potential for large profits from levying tolls, infrastructure authorities generally earned a modest rate of return on investment.

One explanation is regulation. Parliament authorized entry into infrastructure and generally favored undertakers who might benefit indirectly. Parliament also set caps on the tolls that could be charged and encouraged competition among infrastructure providers. Using a new GIS data set on toll roads c.1820, this paper presents evidence that regulation mattered. Three factors contributed to modest returns: (1) the large presence of landowners in managing toll roads, (2) inter-modal competition from the river and canal network, and (3) binding toll caps set by Parliament. The results provide insights into Britain's regulatory policies and their impact on industrialization.

Zeynep Hansen, Gary Libecap, and Scott Lowe

The Political Economy of Major Water Infrastructure Investments in the Western United States: An Historical Analysis

Greater historical perspective is needed to enlighten current debate about future human responses to higher temperatures and increased variation in precipitation. Our goal is to identify the major players in the water infrastructure projects and analyze the site location decisions and the factors (political, economic, and geographic) that influence the location decisions. We assembled data on major water infrastructure and congressional committee memberships. Using this state-level data set, we examine the importance of political influence in dam construction. Specifically, we are interested in the long-run impact of congressional influence on the location of major water infrastructure. Our preliminary results indicate that House committee session-seat representation generally has a positive and significant impact on the number of dams and the proportion of dams constructed in a state. Moreover, the magnitudes of the coefficient estimates in the western 13 states are in almost all cases larger than those in the all-state sample.

Shawn Kantor and Alexander Whalley

Private Gains from Public University Research: The Case of Productivity Spillovers from Agricultural Experiments Stations

This paper investigates the effects of university research on regional economic development in American agriculture. We study whether the establishment of agricultural experiment stations at the end of the 19th century led to persistent impacts on local economic development. The opening of the stations at predetermined locations provides the rare chance to examine whether university research has persistent effects – many decades later – on local productivity. Our analysis of county-level agricultural census data from 1870 to 1930 reveals that university research does indeed increase local productivity, and the effects persist and even grow over time. We find crop reallocation response to university research, but little evidence for an investment response, suggesting that reallocation is necessary for the full spillover effect to manifest. We also find that the national agricultural extension program begun in 1914 was effective in spreading university research and agricultural development far from universities and throughout the nation.

Petra Moser and Ryan Lampe

Do Patent Pools Encourage Innovation? Evidence from 30 Industries in the 1930s

Patent pools, which allow competing firms to combine their patents as if they are a single firm, have become a prominent mechanism to address problems with the current patent system. Pools are expected to encourage innovation by limiting litigation risks for pool members and by lowering transaction costs and license fees for outside firms. But pools may also have important anti-competitive effects, as they encourage cooperation among competing firms. Today and nearly always since the Sherman Act in 1890, antitrust regulation is in place to prevent such anti-competitive effects, making it impossible to observe what would happen if pools were left free reign. New Deal policies in the 1930s, which aimed to encourage economic recovery, relaxed antitrust regulation and allowed anticompetitive pools to form. This paper examines the effects of such pools on innovation. Difference-in-difference estimates that compare changes in patent applications in pool technologies with a control group of related technologies in the same industry indicate a 16 percent decline in innovation after the formation of a pool. This decline is strongest for technologies that pool members competed to improve before the creation of a pool.