

The JOURNAL of ECONOMIC HISTORY

VOLUME XXXV

SEPTEMBER 1975

NUMBER 3

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AT THE
JOHNS HOPKINS UNIVERSITY

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Articles and correspondence relating to editorial functions of THE JOURNAL OF ECONOMIC HISTORY should be directed to the Editorial Office, THE JOURNAL OF ECONOMIC HISTORY, Milton S. Eisenhower Library, The Johns Hopkins University, Baltimore, Maryland 21218.

PUBLISHED QUARTERLY BY THE ECONOMIC HISTORY ASSOCIATION
AT THE JOHNS HOPKINS UNIVERSITY

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WILMINGTON, DELAWARE 19807

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September 1975

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ABSTRACTS

RICHARD T. RAPP

The Unmaking of the Mediterranean Trade Hegemony: International Trade Rivalry and the Commercial Revolution.

The so-called "Commercial Revolution" of the seventeenth century is thought to have been caused by the geographical discoveries of the 1500's which opened markets in the New World and shifted locational advantage to the European North Atlantic. This paper examines the hypothesis that the rise of Holland and England and the decline of the Mediterranean were the result of competitive victories in the old European markets, not new-found opportunities in the West. By employing a pattern of competitive tactics in industry, best analyzed in terms of an imperfect competition model, the Northern competitors ousted traditional suppliers from the old market area and enjoyed a period of formative industrial growth long before colonial markets became important sources of demand.

GAVIN WRIGHT AND HOWARD KUNREUTHER

Cotton, Corn and Risk in the Nineteenth Century

We propose an explanation for the abandonment of self-sufficiency in foods by the U.S. South between 1860 and 1880. The argument focuses on crop-mix decisions by small farmers in the presence of risk. The rise of tenancy and the drastic fall in farm size caused many farmers to sacrifice the traditional "safety-first" strategy of small farmowners; instead, they were forced to "gamble" on cotton in order to have any chance of meeting their cash obligations. Econometric evidence is included. The article contends that this model is in fact the analysis advanced by contemporary observers who held that farmers were "locked in" to cotton production.

HEYWOOD FLEISIG

The Central Pacific Railroad and the Railroad Land Grant Controversy

This paper asks whether grants of land were necessary to influence either the decision to construct or the speed of construction of the Central Pacific Railroad. Federal bond subsidies permitted large divergences between the private rates of return on total capital and on entrepreneurial capital. The paper presents several estimates of ex post and ex ante rates of return on entrepreneurial capital, excluding profits from land sales. None of these are less than 71 percent per year over a seven-year period. Given plausible estimates of rates of return on entrepreneurial funds in alternative projects ranging from 15 to 25 percent per year, and given the structure of the bond subsidy, the paper concludes that the land grants examined were unnecessary.

BARBARA G. KATZ

Purges and Production: Soviet Economic Growth, 1928-1940

Did preparations for World War II account for the dramatic decline in the growth rate of Soviet industrial production from 10 to 12 percent per annum in 1928-1937 to 2 to 3 percent in 1937-1940? Using CES production functions this study assesses that argument as well as an alternate explanation: that the Great Purges were associated with the noted decline, and finds that in 1938 the dampening impact of the purges is more important, while in 1939 the evidence is mixed and contingent on the assumptions made, but the influence of the purges remains substantial. Only in 1940, under some assumptions, do preparations for war seem more important than the purges in depressing the level of output.

GENE SMILEY

Interest Rate Movement in the United States, 1888-1913

This paper examines the behavior of the national capital market during the 1888-1913 period by analyzing the movement of short-term interest rates across the United States. The interest rates are new estimates for the country national banks of each state and the national banks of each reserve city. The convergence of these rates is examined using a relative dispersion measure. For the country banks essentially no rate convergence is found while convergence of city bank rates is observed. Differing risk premiums and the open market's development after 1907 are suggested to be partial explanations for the rate movements.