

Abstracts of Posters Presented at the Annual Meeting

Personal Savings in Nineteenth-Century America

This dissertation explores personal savings behavior among industrial textile workers in Lowell, Massachusetts during the American Industrial Revolution. Previous attempts to study nineteenth-century working-class savings have been hampered by a lack of appropriate data. This dissertation utilizes a new data set consisting of payroll records from the Hamilton Manufacturing Company and savings account records from the Lowell Institution for Savings covering the years 1835 to 1850. This is the first study to directly calculate worker savings rates during the antebellum period using income and savings records from two independent sources. In addition, I identify differential saving patterns among men and women, wage and piece-rate workers, and changes in savings behavior over time. Finally, this study identifies a precautionary savings motive among career piece-rate workers who experience relatively uncertain income compared to their wage-earning counterparts.

JESSICA VECHBANYONGRATANA, *University of Colorado at Boulder*

Income Effects on Late-Life Health: Evidence from Union Army Pensions

What impact does income have on the incidence of respiratory conditions at late stages of the life cycle? I examine the impact of the Union Army pensions on the conditions faced by veterans in later-life during the end of the nineteenth and early twentieth century. An increase in pension income reduced the incidence of respiratory conditions through changes in nutrition, place of residence, living arrangements, and employment type or labor force participation. I use two instruments to find exogenous variation in pension income and measure the effect of pension income on health: Republican congressional vote share and changes in pension legislation. The variation in pension payments over the period comes from abuses of the patronage system and partisan politics at the Pension Bureau. The large variation in UA pension income is exploited to provide insight for past and contemporary policy debates concerning the welfare of the elderly.

SHARI ELI, *University of California, Berkeley*

Mitigating Asymmetric Information in Early Modern Financial Markets: The Bill of Exchange and the Role of the Joint-Liability Rule

This project investigates the legal underpinnings and economic implications of the joint liability rule on bills of exchange in the eighteenth century. This rule specified that in case of default, all endorsers could be held legally liable. We combine data both on the bills of exchange and the protests of defaulted bills traded by a major French merchant house to explore how the joint liability rule may have mitigated problems of asymmetric information.

VERONICA AOKI SANTAROSA, *Yale University*

The Demise of the Backwards Bending Labor Supply Curve

In preindustrial economies, labor supply curves often bend backwards at very low levels of income. This changed prior to the Industrial Revolution: total working hours increased (De Vries 1993, Voth, 1998, 2000). This paper examines this industrious revolution using a model of labor supply where consumption takes time. This analytical framework enables us to draw a distinction between a pessimistic account of the industrious revolution as suggested by Van Zanden (2006) and an optimistic account advanced by De Vries (2008) of an industrious revolution driven by changing patterns of demand. This formulation clarifies the importance of new consumption opportunities in driving hours worked.

MARK KOYAMA, *Oxford University*

Do Local Institutions Affect All Foreign Direct Investors in the Same Way? Evidence from the Interwar Chinese Textile Industry

This paper analyzes the impact of local employment institutions on Japanese-, British-, and Chinese-owned firms operating in the Chinese cotton textile industry during the 1920s and 1930s. Though firms in Britain had higher TFP levels than firms in Japan, Japanese-owned firms in China enjoyed an approximate 60 percent TFP advantage over British-owned and Chinese-owned competitors. Japanese textile companies' superior performance is explained by their use of proprietary knowledge to solve problems in Chinese labor institutions—problems that British- and Chinese-owned firms could not surmount. Though knowledge is usually thought of as a global public good, the case examined here indicates that the application of knowledge can be contingent on institutional factors. Where this is the case, countries sharing similar institutions will experience more productive transfers of knowledge.

PETER ZEITZ, *University of California, Los Angeles*

History, Culture, and Trade: A Dynamic Gravity Approach

What determines trade patterns? This paper argues that history and culture matter, due to habit persistence in consumer tastes and to learning by doing in production. Deriving a dynamic gravity equation, I show that cultural similarity today is a product of history, so that trade patterns are not only a function of bilateral GDP and current trade costs, but also of the past history of all trade costs as well. The model can explain why trade is path dependent—even across centuries, why purely cultural variables and past immigrant flows explain trade patterns, why the coefficient on distance has not decreased over time, and why the typical gravity variables become insignificant once lagged trade is included as a control. The perils of ignoring the dynamic component in gravity regressions is shown by revealing why early estimates of the effect of currency unions on trade were so deceptively large.

DOUGLAS CAMPBELL, *University of California, Davis*

Education and Development Projects in Brazil, 1933–2008: A Political Economy Perspective

The objective of this paper is to discuss the history of education policies in Brazil, focusing on why has education in Brazil always lagged behind, even when compared to other developing economies. The answer is obtained by applying a multiple structural break model on expenditure in education data for the period 1933–2004. The results show that the movement of expenditure was always associated with changes in political circumstances, suggesting that educational policies were always based on the political interests of the different regimes. This pattern resulted in nonpublic-oriented policies and benefits only for specific groups, and also created a strong negative path dependence on educational policies in Brazil, with significant underinvestment in secondary education.

BERNARDO STUHLBERGER WJUNISKI, *London School of Economics*

Agency Problem and Dynastic Decline: A Study of Late Imperial China, 1700–1850

An autocratic regime governing a big country implies a serious principal-agent problem. Due to imperfect monitoring, the tax agents of the autocrat face strong incentives to push tax responsibilities down the social ladder. Understanding that this tax regime is inevitably regressive and the poorest shoulder the heaviest burden, the autocrat have to cut back on his tax demands, since overexploitation of the poor fuels rebellion and threatens the survival of his regime. This in turn implies that (1) highly autocratic regimes are severely constrained in their ability to tax, (2) growing prosperity may not benefit the tax coffers of the autocrat if the income (hence tax paying capacity) of the poor did not grow, and (3) population growth could actually weaken the state. The above dynamics may explain why the performance of the Chinese state differed significantly between the eighteenth and nineteenth centuries.

TUAN HWEE SNG, *Northwestern University*

Examining the Impact of World War I on the City of London

London's position as the world's leading financial center prior to the Great War is well-known. The current literature sees the London Stock Exchange and Britain's leadership of the gold standard regime as the basis for the city's dominance. Using a formal analytical approach, I show that these explanations are incomplete, and that linkages between institutions operating in London created a strong agglomerating force that drew financial firms together. I use the model to simulate the impact of World War I on the city and its competition. I find that the current explanations of New York's rise in the 1920s are incomplete. The war alone was not enough to allow New York's expansion, and a more permanent restriction on the city's activities was present. Using archive evidence, I find that the Bank of England's restrictions on capital issues to support sterling limited the city's output, and New York was able to quickly expand and develop a strong position. These results challenge the perceived wisdom regarding the return to gold and London, as the embargo significantly restricted the city's operations and resulted in London losing out to New York.

SARAH COCHRANE, *Oxford University*

The Adoption of Radio Technology in the United States

In some industries, those seeking to commercialize new technology need to obtain licenses from multiple patent holders. Arrangements, such as patent pools, have been formed to address this issue. Theory suggests that such arrangements encourage innovation, but recent empirical evidence does not support this claim. To shed light on the discrepancy between the theory and this empirical observation, the early formation of the radio industry will be studied. The Radio Corporation of America was formed in 1919 and its members created cross-licensing agreements that included essential and overlapping patents that were once independently owned. Did this arrangement encourage technical innovation in the radio industry? What were the mechanisms by which this arrangement encouraged [and possibly discouraged] innovation?

GLEND A OSKAR, *University of California, Berkeley*

From Intangible Capital to Institutional Agencies: The Ideas of Human and Social Capital and Their Demise in German Historical Economics

The Older Historical School and its German and Anglo-Saxon predecessors used diverse concepts of intangible capital to account for education, trust, reputation, and access to credit. However, a fundamental change followed when the members of Younger Historical School (YHS) staffed the chairs of political economics. The plurality of the views on capital had led to a schism including a debate on intangible forms of capital. Karl Knies and Boehm-Baverk criticized the concept's vagueness partly caused by its use to explain effects of aforementioned phenomena. Gustav von Schmoller and Werner Sombart of the YHS and later Max Weber emphasized financial and concrete aspects of capital, this substantiating the change. Including the schism, institutionalism, and the development of dynamic evolutionary theories, this paper charts the reasons and influences that caused the change in definition and function of capital and demarcated the phenomena now included to human social capital outside the concept.

OLLI TURUNEN, *University of Jyväskylä*

Corporate State or State Incorporate: The Modern/Capitalistic State-Building in the Low Countries, Britain, China, and Japan

This dissertation attempts to view the company as an organization of economic power, instead of "city," then remap the process of modern state-building by tracing the interaction between government, an organization of coercion power, and company. Besides the qualitative analysis, this research also attempts to quantify the concentration of coercion and capital power. It could be useful to evaluate the relative relationship and helpful to engage in comparative studies. Eventually, after four case studies by two groups, non-European/European and early/late developing, the aim of the thesis would like to build up a typification model of modern state-building and figure out what factors caused the divergence of modern/capitalism state form.

YI-WEN YU, *National Chengchi University*

Commerce and the Initial Rise of Wall Street

Around the world, the premier financial market and the largest commercial center of a nation were universally correlated in history. This paper uses New York City (NYC) as a test case to examine if causal relationships exist. It is an interesting case because NYC was not the first financial center of the nation. Theoretically, NYC as a premier city had a larger pool of potential investors, better financial information, more abundant supplies of credits, and quality stocks. All favored its financial markets to grow. To test causality, securities trading data is required, but the information before 1840 is lacking. This paper finds that bid-ask spreads and their frequencies are useful proxies and could be used to estimate the transaction volume of leading markets back to 1800. It is found that Wall Street became the largest market in 1817. It coincided with the time when NYC rose to preeminence in commerce.

KWAN LEUNG LI, *Oxford University*

Historical Origins of Inter-Religion Differences: Evidence from Nineteenth- and Twentieth-Century Egypt

This dissertation project explores the differences across religious groups with respect to educational and occupational outcomes employing individual-level data (1848–1868) and village/quarter-level data (1897–1927) from Egypt. Digitizing the individual-level census records (1848–1868) is ongoing at the National Archives of Egypt. The evidence (1897–1927) suggest that Jews and Copts outdistanced Muslims in literacy and occupational attainment; a deeply rooted phenomenon in medieval history. The projects suggest an interpretation of the shift in Coptic educational and occupational distributions after the Islamic conquest of Egypt. It emphasizes the role of the Islamic poll tax on non-Muslims. It also stresses the role of the geographical pattern of Arab immigration and settlement with the subsequent variation in the enforcement of the poll tax in shaping the spatial distribution of Copts and the spatial variation in the Coptic-Muslim gap observed in 1897–1927. The hypothesis is used to disentangle the causal impact of Coptic denomination on literacy and occupation.

MOHAMMED SALEH, *University of Southern California*