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Abstracts of Posters Presented at the Annual Meeting

Elites, Companies, and Development in the Brazilian Sugar Industry, 1945–1990

Most theories of economic development in Brazil argue that the relationships among local entrepreneurs, foreign capital, and the state are the key to understanding development. In my dissertation, I argue that the key issue is the relationship between the state and elites, and the unintended effect state policies had on their interactions. By analyzing the rise of the Brazilian sugar industry, I show that the dynamic between elites and the state produced unique firm structures in Brazil that are important to understanding past and future development. In the first half of the dissertation, I concentrate on cooperatives in Pernambuco, Rio de Janeiro, and São Paulo, formed in response to corporatist policies which promoted class associations. Each cooperative developed a very close relationship with the Institute of Sugar and Alcohol, usually by placing a member on the Executive Board. Second, I examine the effects of corporatist policies on business structures and organization. Here I compare the General Improvements Company to Salgado S.A., from the state of Pernambuco to companies in the center south. Cooperatives provided storage facilities, credit lending, marketing, sales, and legal services for their members, removing the need for member companies to expand beyond family control and employ skilled managers.

AMANDA HARTZMARK, *University of Chicago*

Market vs. Endowment: Explaining Early Industrial Location in Italy

Since the political unification of Italy in 1861, the Italian economy has been characterized by increasing regional differentials in incomes, output growth, and economic structure. My project investigates the evolution of these differentials looking at the location of industries in the period between unification and the First World War. The projects seeks to explain regional differentials within an analytical framework that takes account of both the Heckscher-Ohlin theory (H-O), which focuses on factor endowments and the New Economic Geography theory (NEG), which focuses on market access. The main research question is what accounts for the observed patterns of regional specialization and industrial concentration in Italy and their changes over the period 1871–1911. The first part of the project involves mapping regional specialization and the spatial concentration of industries, drawing on employment census data. Spatial autocorrelation in the distribution of industries among regions is also studied. The second part is devoted to estimating regional market potentials—a measure of a region's economic centrality, which is one of the main variables of the model.

ANNA MISSIAIA, *London School of Economics*

Racial Wage Gaps, Labor Market Frictions, and Macroeconomic Fluctuations: Evidence from the Ford Motor Company and the 1940 Census

Recent work has suggested that the labor elasticity of supply to the firm is finite. In other words, labor markets are not perfectly competitive. We provide the first estimates of the degree of labor market imperfections over a long period of time. Using data from the Ford Motor Company from 1918 through 1940, we find relatively small estimates of labor elasticity of supply to the firm. This implies that Ford Motors had the potential to pay workers less than their marginal revenue product of labor. We also find significant variation in this parameter throughout our period of study, with the elasticity plummeting during the Great Depression and then quickly recovering during the New Deal. Our analysis also contributes two methodological extensions to the empirical monopsony literature. First, we are able to relax the identifying assumption of the firm being in steady state. Second, we are able to employ data that allows us to isolate workers who quit for voluntary reasons. Both have significant impacts on estimates.

BRIGGS DEPEW, *University of Arizona*, and
TODD SØRENSEN, *University of California, Riverside*

Immigration Quotas and Immigrant Skill Composition: Evidence from the Last Frontier, 1906–1954

In order to determine how the composition of migrants changed as a result of the 1921 quota act, I utilize hand-collected ship record data from ports of entry in Alaska from before and after the law change. Ship records provide an excellent snapshot of the characteristics and intentions of migrants. Unlike previous analyses that utilize census data, ship records are not influenced by the choices the migrant has made since entry. Ship records contain information on occupation and current monetary assets recorded at the time of entry, as well as information on debarred migrants. Ship records from Alaskan ports were chosen because they contain information on both Canadian and European migrants and allow for the study of migration on the frontier. Because Canadians were exempt from the law, Canadian migrants provide a natural comparison group for those migrants constrained by the quotas, specifically those migrating from Europe. A differences-in-differences approach is employed in order to determine how the law change altered the skill distribution of migrants.

CATHERINE MASSEY, *University of Colorado*

The Revenue Act of 1924: Publicity, Tax Cuts, and Response

The elasticity of taxable income (ETI) with respect to the marginal net-of-tax rate is an estimate of the aggregate response to tax rate changes. It is estimated without attributing credit or blame to avoidance, evasion, or changes in economic growth. Historical ETI estimates in the public finance literature often rely on questionable assumptions about income dynamics. A provision in the Revenue Act of 1924 for publicity of income tax returns allowed major newspapers to run lists of names, addresses, and tax payments in their pages. From these records, I constructed a data set of very high income taxpayers. Over 10,000 individuals can be easily matched between the two years. In addition, the Revenue Act of 1924 sharply cut marginal

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tax rates. These changes can be used to estimate the ETI without distribution or rank preservation assumptions. Preliminary estimates indicate a positive ETI consistent with previous research.

DANIEL MARCIN, *University of Michigan*

What was Bad for GM was Bad for America: The Automobile Industry and the 1937/38 Recession

This paper shows that there are striking anomalies in the sectoral behavior of output in 1937/38. Spending on consumer durables, particularly automobiles, and business investment plummeted, while spending on nondurables consumption and residential investment rose. These facts are unexplained by a fiscal, monetary, or economy-wide unionization shock. None of these aggregate shocks can explain why auto production fell from 3.9 million in 1937 to 2 million in 1938, while at the same time auto prices rose and the overall price level fell. This paper argues that a supply shock in the auto industry contributed both to the recession's anomalous sectoral pattern and to its timing and severity. The unionization of General Motors and Chrysler and an increase in raw material costs led auto manufacturers to raise prices in fall 1937. Consumer and business purchases of autos fell, causing a large contraction in the auto industry and industries closely linked to the auto industry. Other industries were relatively unscathed.

JOSH HAUSMAN, *University of California, Berkeley*

War and Inquisition: Social Control over the Spanish Empire

The motivations behind the Spanish Inquisition (1478–1834) have long intrigued historians. This paper contributes to the literature by examining quantitative evidence on the relationship between inquisitorial activity and war. The basic idea is that the government's demand for social control was greater in periods of war, because war increased the likelihood of internal revolts. To minimize the threat of rebellion, the Inquisition conducted more trials when Spanish war activity was intense. To test this hypothesis, I develop a theoretical framework and I assemble time-series data for seven Spanish inquisitorial districts on activities of the Inquisition as well as wars conducted by the Spanish Crown. I show that there exists an inverse-U relationship between wars and inquisitorial activity. My results are robust to the inclusion of data on the severity of the weather (droughts) in the regression as well as adjustments for spillover effects from other districts than the main district under analysis.

JORDI VIDAL-ROBERT, *Boston University*

A GIS Analysis of the Evolution of the Railway Network and Population Densities in Europe, 1825–2005

This is a large pan-European project including three graduate students writing their Ph.D. thesis around it, and working alongside with one professor and one assistant professor. The aim is to analyze the uneven geographical transformation of Europe from 1825 to the present day, by means of following the evolution of the railway network as an explanatory factor for the development of urban settlements. In the nineteenth century, railways would have helped to promote new areas and those with previous economic activity and the capacity for growth were particularly successful at attracting population. In this paper, we test whether the uneven distribution of population is significantly related to access to new means of transportation, namely the newly established railway lines and stations.

MARTA FELIS-ROTA, *Universidad Autonoma de Madrid*,
JORDI MARTÍ HENNEBERG, *Universitat de Lleida,*
LAIA MOJICA, *Universitat de Lleida,*
MATEU MORILLAS, *Universitat de Lleida,* and
JOSEP PUIG, *Universitat de Lleida*

Nutritional Impact of the First World War on Germany

Was negative commentary on the standing of Germany merely state propaganda to fuel aggression towards their enemy during the First and Second World Wars? One way to approach this question is through anthropometric methods. By comparing modern growth percentiles by age and sex of various ages to measurements of children taken during the war, the nutritional deprivation of German school children during World War I can be objectively assessed. Statistical analysis of the data show that German children suffered nutritional deprivation during World War I, as indicated by height and weight, yet the impact on height and weight was not equal throughout Germany. It varied by age, location, type of school (social class), year of collection, and gender. Recovery from the war also varied tremendously by location. And height and weight deprivation of children continued for years after the war. This is explainable by the qualitative sources: after the First World War ended, Germany's economy continued to falter and the blockades that had so rifted the country during the war were not immediately lifted.

MARY COX, *University of Oxford*

"Fundamental" Factors in the Great Depression: What the 1920s Evolution of Chicago Bank Portfolios Tells Us

There are two main interpretations of the causes of the Great Depression in the United States. The monetarist hypothesis focuses on banking crises. It posits that the first banking crisis (November 1930 to December 1930) was wholly responsible for turning what was until then a normal recession (according to this interpretation) into a full-fledged Great Depression. The second hypothesis is the "real effects" one. In its early form as introduced by Peter Temin, it focused exclusively on fundamental variables and emphasized a fall in consumption and investment. How did banks' behavior throughout the 1920s determine their chances of survival in the Depression? My aim is to answer this question by focusing on the city of Chicago. This paper analyzes the whole population of the 193 Chicago state banks present in June 1929 (which suffered one of the highest failure rates in the United States), dividing them into two main groups: Great Depression survivors and failures. The first conclusion is that failures start on a new trend well before the first really damaging crisis in Chicago in June 1931, and even before the Friedman-Schwartz first banking crisis (during which Chicago was relatively less affected than, for example, New York)—usually between June 1929 and June 1930. The second (and main) conclusion is that early failures (the June 1931 failure cohort) were even weaker than late failures over most of the preceding decade (from 1923 to June 1929). Throughout this period, the excessive recklessness of (especially early) failures stands out, specifically in terms of real estate investments. This conclusion gives additional support and shape to the claim in the present literature that failures in general were weaker at least just before the Great Crash.

NATACHA POSTEL-VINAY, *London School of Economics*

Misallocation and Productivity During the Great Depression

I offer a new hypothesis to explain the decline in TFP in the 1930s: misallocation of resources across production units contributed substantially to the decline in aggregate TFP. To develop this hypothesis, I build a novel firm-level data set of manufactured ice plants from the Census of Manufactures taken in 1929, 1931, 1933, and 1935. Of course, ice is not representative of the overall manufacturing sector. In fact, its industry productivity dynamics do not exactly match the overall manufacturing sector. Productivity initially rises in the ice industry before plummeting in 1935. Still, I work with this industry because of a number of nice features. First, the product is very homogeneous making price and productivity comparisons valid. In addition, the production process is extremely simple. In fact, because I observe a good measure of a firm's capital stock and output, I can estimate firm productivity directly without relying on a particular demand structure.

NICOLAS ZIEBARTH, *Northwestern University*

The Incentive Problems of the Royal African Company and Drivers of Middle Passage Mortality

A large literature on the transatlantic slave trade finds no relationship between overcrowding and slave mortality, ostensibly because of the incentives of ship captains to adjust crowdedness in response to expected mortality. It has also been well-documented that the ship captains of the Royal African Company were difficult to monitor and regularly defrauded the company. A theoretical model of the RAC's principal-agent problem is presented, which predicts that RAC captains had an incentive to overcrowd their ships relative to independent voyages, and that the RAC fought back against its agents' behavior by hiring smaller vessels. Empirical estimates confirm that the RAC's ships were smaller and more crowded than the competition's. Crowding likely did increase mortality; prior estimates finding no effect appear to be driven by biased samples.

NICOLAS DUQUETTE, *University of Michigan*

Skin Color Discrimination in Early-Twentieth-Century America

Extensive evidence suggests that racial discrimination operates not only between Caucasians and African Americans, but also between African Americans who appear more or less "black" (due to skin tone or other differences). We use newly assembled data on approximately 46,000 siblings in 14,000 households in 1910 to assess the extent to which darker and lighter-skinned African Americans differ on a number of educational and economic outcomes. Because these outcomes also depend on other factors that may vary systematically with skin color, causal interpretation is challenging; while previous observational studies typically deal with this identification problem by including controls for a variety of observable household characteristics, omitted variables make their estimates imperfect. We control for both observed and unobserved characteristics by examining outcome differences within all 1910 households where one son was classified by a census inspector as "black" and another as "mulatto," following these children through the 1920 and 1930 Censuses. We consider the magnitude of the differences and whether they vary geographically or with family demographics. Furthermore, by examining a rich variety of childhood and adult outcomes, we hope to shed light on whether parents' differential investment offsets or compounds discrimination suffered later in life.

ROY MILL, *Stanford University*, and
LUKE STEIN, *Stanford University*

British Motivations Behind Post Office Allocations in India in the Late Nineteenth Century

This paper aims to piece out some of the British motivations behind the allocation of post offices in India with the help of some census and postal data that I have collected and digitized for the first time for academic use, as far as I know. If a social planner were to use a simple model to assign post offices in the Poona district of the Bombay Presidency in 1881, such that the people have to travel the least to the nearest post office, the network would have looked rather different from what the company had set up. Some of these differences are easy to explain just by looking at the crops and trade patterns of the district. The growth of the postal network in the Poona district from 1881 till 1911 shows a marked leaning in favor of the Poona-Khed belt, which was politically and commercially important. The pattern of telegraph expansion and savings bank services offered by post offices are also telling of the regions that were favored. Looking at the whole of the Bombay Presidency also gives some interesting insights. Coastal districts had a much greater postal density than the interiors and it also grew much quicker. Districts that had a greater share of population engaged in government service had a higher postal density. The growth of the network was quickest in Surat, Broach, and Kaira —districts that grew cotton. A clear indication of a humanitarian motive for setting up postal services is the rural penetration of post offices through the institution of extra departmental post offices. It is easy to show this information in maps of Bombay and Poona with the post office locations juxtaposed with other relevant information. These data are substantiated with interesting information from several archival resources where company officials give instances of taking specific actions for specific purposes. The three broad motivations that appear are commercial, administrative, and humanitarian.

SHEETAL BHARAT, *University of California, Riverside*

A Window Dressing Story: Sovereign Bonds During the Netherlands-Belgium Breakup

This paper provides an empirical analysis of the evolution of sovereign debt prices when a state breaks up, or when it faces such an event. Based on an original database of Dutch and Belgian bonds, this research shows the impact of Belgian independence

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in 1830 on the Belgium bonds. This article analyses two risk premiums which may affect the sovereign debt of a state: the first one is linked to the country breakup (or the probability that one may occur) and the second one is due to the instability experienced by the new country. This analysis puts forward a "country breakup" risk premium of 142 basis points. The role of the debt underwriter has also been highlighted in the case of Belgian independence. Financial markets required no "new country" risk premium for Belgian bonds, but the risk premium remained for the Belgian authorities. This was likely due to the role of Rothschild as underwriter, whose reputation persuaded the market to ignore the risk, but who charged a premium to the Belgian government for their services.

STÉPHANIE COLLET, *Universite Libre de Bruxelles*

Do Integration Policies for Immigrants Work? Historic Evidence from Forced Mass Migration

We study the effect of an integration policy after a forced mass migration to today's Germany. Despite a large body of literature on migration in general, there is little known about the effectiveness of policies that support integration into local labor markets. To overcome empirical issues arising from self-selection into migration, we exploit a sequence of historical events. To evaluate the effect of this integration policy, we exploit data from the 1971 microcensus that allow us to identify and distinguish expellees from local West Germans. We construct a quasi-panel and compare immigrants' occupational status before and after the integration policy in a difference-in-differences framework. To account for unobserved immigration effects that develop over time and are not related to the policy, we define immigrants from East Germany which are not covered by the Federal Expellee Law as our second control group and integrate them in a triple-differences approach. Our estimations suggest that the Federal Expellee Law modestly reduced unemployment among the expellees and contributed to expellees getting qualitatively better jobs. However, the restitution of expellees' prewar occupational status failed.

SUSANNE LINK, *Institute for Economic Research*,
OLIVER FALCK, *Ifo Institute and University of Munich*, and
STEPHAN HEBLICH, *University of Stirling*

Mechanization and Industry: Agglomeration in the German Empire

I test the predictions developed in the paper with a newly constructed data set of district-level employment and power use in 134 manufacturing industries in the German Empire in 1875 and 1895. I estimate the relationship between measures of industry agglomeration and coagglomeration with hard coal mining and industry wide use of water and steam power. The OLS estimates show that industries with more steam power were more agglomerated and also more concentrated in districts with hard coal mining. Industries that used more water power were less agglomerated. The OLS estimates are reinforced by instrumental variable estimation using water and steam power in U.S. manufacturing as instruments for power use in the German Empire.

THERESA GUTBERLET, *University of Arizona*

Why Did the Trade Deficit Expand with Exchange Rate Depreciation in Late Qing?

During the late 1800s, with the adoption of gold standard among major economies and increased global supply of silver, the gold price of silver plunged dramatically. Throughout the four decades before World War I, China remained a silver-using country but the exchange rate depreciation coincided with a recorded explosion in its trade deficit, in contrast with the prediction of conventional economic theory. This paper argues that there are important adjustments to be made to the data after which the recorded trade deficit of the period before 1900 would have disappeared. Moreover, the exchange rate depreciation did not cause a trade surplus because the volume of trade was small relative to the annual remittance sent back to China by Chinese overseas workers. The silver inflow through remittance acts as a substitute for trade surplus to restore the balance of payment.

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