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Editor: Bernardo Bátiz-Lazo
Correo-e: bbl3@le.ac.uk
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Lending to the Borrower from Hell: Debt and Default in the Age of Phillip II, 1566-1598
Date: 2008-07-07

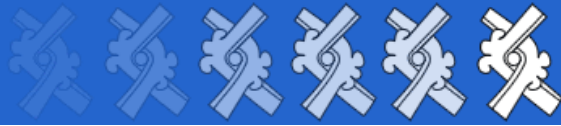
By: Drelichman, Mauricio

Voth, Hans-Joachim

URL:

http://d.repec.org/n?u=RePEc:ubc:bricol:mauricio_drelichman-2008-8&r=his

Philip II of Spain was the first serial defaulter in history, failing to honor his debts four times. We analyze 457



lending contracts between the king and his bankers, and ask what allowed the sovereign to borrow so much while defaulting so often. Earlier work emphasized banker irrationality or, in line with the Bulow-Rogoff argument, the ability of lenders to punish the king. We show that the evidence speaks against these interpretations. Instead, what sustained lending was the ability of bankers to effectively cut off access to lending to Philip II. With no alternative means of smoothing consumption, while being faced with highly volatile revenues and expenditures, the king returned to servicing his debts. Defaults were quickly resolved via reschedulings. In line with the arguments by Grossman and van Huyck, we find strong indirect evidence that bank loans were contingent on the fiscal health of the Spanish Crown.

Keywords: sovereign debt, default, lending coalitions, sanctions, reputation

Evidence from the Patent Record on the Development of Cash Dispensing Technology
Date: 2008-06-30

By: Batiz-Lazo, Bernardo

Reid, Robert J. K.

URL:

<http://d.repec.org/n?u=RePEc:pra:mprapa:9461&r=his>

There are but a handful of systematic studies on the history of automated teller machines (ATMs) yet all fail to address the issue of paternity while perpetrating 'common wisdom'

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Elaboró: Manuel A. Bautista González

beliefs. This article looks at the birth of currency dispensing equipment, the immediate predecessor to the ATM. At the simplest level, at least four separate instance of innovation can reasonably claim to be the origin of the concept. However, the question as to who invented it is less illuminating than an understanding of the process of innovation itself and how these competing families developed into the modern conception of an ATM. Our research supports the view of user-driven innovation as surviving business records and oral histories tell of close involvement of bank staff in establishing requirements and choosing amongst alternative solutions in the implementation of first generation technology. This case thus shows greater understanding in the user's role in shaping and directing technological development.

Keywords: Cash dispensers (ATMs); History; Financial data processing; Patents; Research and development; User interfaces

JEL: N20 O31

CHARLES FEINSTEIN (1932–2005), AND BRITISH HISTORICAL NATIONAL ACCOUNTSDate: 2008-06-23

By: Offer, Avner

URL:

<http://d.repec.org/n?u=RePEc:pra:mprapa:9489&r=his>

The Meade and Stone approach to national accounting (first published for the UK in 1941) eventually provided the

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Elaboró: Manuel A. Bautista González

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template for the United System of National Accounts. Feinstein's historical national accounts for the UK developed out of this project and built on its earlier contributions. He was the foremost constructor of historical accounts in the UK, and shared with other national accounting pioneers a pragmatic approach and a bias against neo-classical general equilibrium. He made important contributions to growth accounting and the measurement of standards of living, and also left his mark as a teacher and as an academic leader. His commitment to racial equality in South Africa preceded his academic career, and continued after his formal retirement.

JEL: N01 E01 B32

How Good was the Profitability of British Railways, 1870-1912? Date: 2008

By: Brian Mitchell (Cambridge University)

David Chambers (Oxford University)

Nicholas Crafts (Warwick University)

URL:

<http://d.repec.org/n?u=RePEc:wrk:warwec:859&r=his>

This paper provides new estimates of the return on capital employed (ROCE) for major British railway companies. It shows that ROCE was generally below the cost of capital after the mid-1870s and fell till the turn of the century. Addressing issues of cost inefficiency could have restored



ROCE to an adequate level in the late 1890s but not in 1910. Declines in ROCE hit share prices and returns to shareholders were negative after 1897. Optimal portfolio analysis shows that, whilst railway securities would have had a substantial weight prior to this date, investors would have been justified in rushing to the exits thereafter.

A Reassessment of Japan's Monetary Policy during the Great Depression: The Constraints and Remedies
Date: 2007-10

By: Masato Shizume (Research Institute for Economics and Business Administration, Kobe University)

URL:

<http://d.repec.org/n?u=RePEc:kob:dpaper:208&r=his>

Temin [1989] and Eichengreen [1992] argue that monetary policy played a key role in each country's economic performance during the Great Depression, and that some European policymakers hesitated to pursue an expansionary monetary policy even after departing from gold. Why did these policymakers not pursue the opportunities they were able to pursue to the fullest extent? This study explores this issue by looking at the case of Japan, focusing on the constraints it faced and the remedies available to it as a small, open economy. This study explores the relationship between interest rates in Japan and in the major international financial centers, using a new series of representative long-term interest rates and

narratives. This study reveals that Japan imposed a restrictive monetary policy on itself even after departing from the gold standard. Japan did so because it needed to maintain its ties both with its trading partners and with the international financial markets.

JEL: E42 N15

Height and the normal distribution: Evidence from Italian military data
Date: 2008-07-14

By: Brian A'Hearn (Franklin & Marshall College)

Franco Peracchi (Faculty of Economics, University of Rome "Tor Vergata")

Giovanni Vecchi (Faculty of Economics, University of Rome "Tor Vergata")

URL:

<http://d.repec.org/n?u=RePEc:rtv:ceisrp:124&r=his>

Height data offer insights into the well-being of populations and historical periods for which other indicators are lacking. Researchers modeling historical heights have typically relied on the restrictive assumption of a normal (Gaussian) distribution, only the mean of which is affected by age, income, nutrition, disease, and similar influences. We develop a different approach, in which covariates – age in particular – are allowed to affect the entire distribution without imposing any parametric shape. We apply this method to a new database of height distributions for Italian



provinces drawn from conscription records. The data are of unprecedented length and geographic disaggregation, but suffer from a variety of statistical problems: variation in the age at measurement in particular. Our method allows us to standardize distributions to a single age and calculate moments of the distribution that are comparable through time. The distribution of heights at age 20 is not normal over most of our sample. Our method also allows us to generate counterfactual distributions for a range of ages, from which we derive age-height profiles. These reveal how the adolescent growth spurt (AGS) distorts the distribution of stature, and document the earlier and earlier onset of the AGS as living conditions improved over the second half of the nineteenth century. Our new estimates of provincial mean height also reveal a previously unnoticed “regime switch” from regional convergence to divergence in this period. In the light of this evidence, previous assumptions about regional economic development during Italian industrialization will need to be reexamined.

Keywords: Human height, normal distribution, semi-parametric modelling, Italy

JEL: C14 J11 N33

A Comparison of the Limits to Growth with Thirty Years of Reality
Date: 2008-06

By: Graham Turner (CSIRO Sustainable Ecosystems, Australia)



URL: <http://d.repec.org/n?u=RePEc:cse:wpaper:2008-09&r=his>

In 1972, the Club of Rome's infamous report "The Limits to Growth" (Meadows et al., 1972) presented some challenging scenarios for global sustainability, based on a system dynamics computer model to simulate the interactions of five global economic subsystems, namely: population, food production, industrial production, pollution, and consumption of non-renewable natural resources. Contrary to popular belief, The Limits to Growth scenarios by the team of analysts from the Massachusetts Institute of Technology did not predict world collapse by the end of the 20th Century. This paper focuses on a comparison of recently collated historical data for 1970–2000 with scenarios presented in the Limits to Growth. The analysis shows that 30 years of historical data compares favorably with key features of a business-as-usual scenario called the "standard run" scenario, which results in collapse of the global system midway through the 21st Century. The data does not compare well with other scenarios involving comprehensive use of technology or stabilizing behaviour and policies. The results indicate the particular importance of understanding and controlling global pollution.

Keywords: integrated global model, limits to growth, scenarios, data comparison, model validation, collapse, pollution

JEL: Q01 Q56 O13



Friedman's Nobel Lecture reconsidered Date: 2008

By: James Forder

URL:

<http://d.repec.org/n?u=RePEc:oxf:wpaper:398&r=his>

In his Nobel lecture, Friedman built on his earlier argument for a 'natural rate of unemployment' by painting a picture of an economics profession which, as a result of foolish mistakes, had accepted the Phillips curve as offering a lasting trade-off between inflation and unemployment and were thereby led to advocate a policy of inflation. It is argued here that in fact the orthodox economists of the time did not accept Phillips' analysis; almost no one made the mistakes in question; and very few advocated inflation on bases vulnerable to Friedman's theoretical critique. The Phillips curve was put to various uses, but advocating inflation was hardly amongst them. It is suggested that one lasting result of the uncritical acceptance of Friedman's history is to limit what appears to be within the reasonable range of views about macroeconomic policy.

Keywords: Phillips Curve, Inflation, Friedman

JEL: B22 B31 E12

Japanese Students in England and the Meiji Government's
Foreign Employees (Oyatoi): The People Who Supported
Modernisation in the Bakumatsu-Early Meiji Period Date:
2008-07

By: Takutoshi Inoue (School of Economics, Kwansei Gakuin University)

URL:

<http://d.repec.org/n?u=RePEc:kgu:wpaper:40&r=his>

The US dollar and the Euro: The Deus Ex-Machina
Date: 2008-04

By: Lorca-Susino, Maria

URL:

<http://d.repec.org/n?u=RePEc:pra:mprapa:9556&r=his>

Until the 19th and mid-20th centuries, economic theory explained that the economic status of a country was represented by the strength of its currency.² This strength is measured by the exchange rate of one currency vis-à-vis another currency, a “zero-sum” game in which one currency gains what the other loses. In fact, during the 19th century, the strength of the Pound Sterling facilitated Britain’s global hegemonic political and economic power known as the Pax Britanica. During the 20th century, the strength of the US dollar represented both the economic and political hegemony of the US around the world known as the Pax Americana. Nowadays, the weakness of the US dollar is making specialists wonder if we are witnessing the end of Pax Americana and the beginning of something else, possibly a Pax Europea, led by the strength of the euro. This is the argument surrounding the current behaviour of the US\$-€ exchange rate and its effect on the economic

performance of these two economic blocs. While the current exchange rate between the US dollar and the euro has been considered a blessing for the US, it has become a matter of concern for most Eurozone countries. In fact, we are witnessing an unprecedented scenario where the country with a weak currency is actually pleased and the group of countries with a strong currency is worried. The strength of the euro is becoming irritating for the Eurozone and, nevertheless, the weakness of the US dollar is also pushing it to the brink of losing its status as a global currency. This exchange rate debate is accompanied by another debate concerning how the latest monetary policy actions taken by the US and Eurozone monetary authorities³, aimed at solving current economic imbalances, are affecting the US\$-€ exchange rate. Scholars, economists, and politicians argue that these monetary policies seem unable to solve today's economic problems in the EU as well as in the Eurozone, but are having a tremendous impact on the US\$-€ exchange rate. This paper will explain in layman's terms the relationship (or lack thereof) between two of today's most important economic issues: the US dollar and euro exchange rate, and the monetary policy behind it.

Keywords: US dolla; euro; Monetary Policy; INTOR

JEL: E5 A10

The historical place of the 'Friedman-Phelps' expectations critique
Date: 2008



By: James Forder

URL:

<http://d.repec.org/n?u=RePEc:oxf:wpaper:399&r=his>

The 'expectations critique', usually attributed to Friedman or Phelps and dated towards the end of the 1960s, in fact originates much earlier. And rather than being an insight properly attributable to a particular individual, it was, by that time, a commonplace of economic discussion. This much is easy to establish. It is argued that the common attribution arises at least in part because the Keynesians unwisely chose to express their disagreement with Friedman in terms of expectations rather than in terms of the existence of the natural rate of unemployment. As a result, forty years later, it has become hard to see that two separate points ever existed.

Keywords: Phillips Curve, Inflation, Expectations Critique

JEL: B22 B31

Did History Breed Inequality? Colonial Factor Endowments and Modern Income Distribution Date: 2008-06

By: Matthew J. Baker (Hunter College, City University of New York)

Christa N. Brunnschweiler (CER-ETH Center of Economic Research at ETH Zurich, Switzerland)



Erwin H. Bulte (Development Economics Group,
Wageningen University and Department of Economics,
Tilburg University)

URL: <http://d.repec.org/n?u=RePEc:eth:wpswif:08-86&r=his>

We explore the relation between historical population density in former colonies and modern income distribution. A theoretical model highlights the potentially opposing effects of native population density on incentives for colonists to conquer or settle in new territories. While an abundant supply of native labor is an “asset” that drives up land rents, it is also a “liability” that makes land acquisition by colonists more difficult and reduces returns to peacable migration. Conflicts over land, sowing the seeds for inequality by creating a landed élite living off rents, are especially likely to emerge for intermediate native population densities. Results are confirmed by detailed empirical tests highlighting the curvilinear relationship between native population density and modern income inequality. Finally, using population density as an instrument for inequality in the former colonies, we demonstrate that there is no causal relationship running from income distribution to economic growth.

Keywords: inequality, growth, factor endowments,
population density, conflict, colonization

JEL: O15 N30 N50

Height and Economic Development in Italy, 1730–

1980Date: 2008-07-10

By: Franco Peracchi (Faculty of Economics, University of Rome "Tor Vergata")

URL:

<http://d.repec.org/n?u=RePEc:rtv:ceisrp:108&r=his>

In this paper I review evidence on the long-run relation between height and economic development in Italy. I ask three questions: What are the long-run trends of mean height and real incomes in Italy? What do we know about height dispersion? What other aspects of the distribution of height changed with economic development?

Keywords: Human height, economic development, Italy

JEL: J11 N33

Common Law and Civil Law as Pro-Market

AdaptationsDate: 2008-06

By: Benito Arruñada

Veneta Andonova

URL:

<http://d.repec.org/n?u=RePEc:upf:upfgen:1098&r=his>

We argue that in the development of the Western legal system, cognitive departures are the main determinant of the optimal degree of judicial rule-making. Judicial discretion, seen here as the main distinguishing feature

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Elaboró: Manuel A. Bautista González

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between both legal systems, is introduced in civil law jurisdictions to protect, rather than to limit, freedom of contract against potential judicial backlash. Such protection was unnecessary in common law countries, where free-market relations enjoyed safer judicial ground mainly due to their relatively gradual evolution, their reliance on practitioners as judges, and the earlier development of institutional checks and balances that supported private property rights. In our framework, differences in costs and benefits associated with self-interest and lack of information require a cognitive failure to be active.

Keywords: Legal systems, judiciary, institutional development, behavior, enforcement

JEL: K40 N40 O10

The Colonial and Geographic Origins of Comparative Development
Date: 2008-03-10

By: Auer, Raphael (Swiss National Bank)

URL:

http://d.repec.org/n?u=RePEc:ris:snbwpa:2008_008&r=his

While the direct impact of geographic endowments on prosperity is present in all countries, in former colonies, geography has also affected colonization policies and institutional outcomes. Thus, one can disentangle the partial effects of endowments and institutions on income by utilizing the interaction of geography and colonial

experience. I first document that climate and disease did affect institutional development in the group of former colonies while this is not the case in the rest of the world. Second, I develop an empirical strategy that identifies the relation between institutions and income but that also accounts for the direct effect of endowments. I find that institutions are the main determinant of development and that endowments also have a sizeable direct impact on development. Third, I highlight the importance of disease environment for both colonization policies and income directly.

Keywords: Growth; Institutions; Geography;
Comparative Development; Colonialism

JEL: F54 N50 O11 P16 P51 R11

The Institutional Approach in the Economic Thought of
Carlo Cattaneo Date: 2008-07

By: Maurizio Mistri (University of Padua)

URL:

<http://d.repec.org/n?u=RePEc:pad:wpaper:0079&r=his>

This paper analyzes the contributions to political economy of Carlo Cattaneo as an ante litteram institutionalist scholar. Carlo Cattaneo has been an original thinker with a polyhedricity of cultural interests. From a point of view of political economy, we can say that Cattaneo was influenced by the concept of sociality. He studied the human action framed in his social and relational dimensions. Cattaneo

was aware that the development of society needed to be seen as the result of complex interactive and often conflicting forces. Carlo Cattaneo has been interested in forces that generate change in social and economic structures. One of these forces is the human intelligence -to day we say knowledge- which is at basis of his value theory. Another important force is the action of the entrepreneurs, who are the engines of economic progress. Cattaneo devoted a particular attention to links between law and economic activities. In the paper the role of laws on economic trajectories is discussed, with a special attention to the effects of Israeli interdictions.

Keywords: technological change, institutions, knowledge

JEL: D83 K2

Bank regulation and supervision in Japan and Germany: A comparison
Date: 2007-11

By: Ralf Bebenroth (Research Institute for Economics and Business Administration, Kobe University)

Diemo Dietrich (Halle Institute for Economic Research)

Uwe Vollmer (University of Leipzig)

URL:

<http://d.repec.org/n?u=RePEc:kob:dpaper:211&r=his>

This paper describes and compares the regulation and supervision of banks in Japan and Germany. We have

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Elaboró: Manuel A. Bautista González

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chosen these countries because they have both bank-dominated financial systems and belong to the same law tradition, yet, bank stability differs significantly. We ask to what extent these countries follow best practice regulations in banking and whether differences in banking stability and efficiency can be explained by regulatory and supervisory differences. We argue that bank regulation and supervision are less efficient in Japan than in Germany and show why Japan and Germany have made different regulatory and supervisory choices.

Keywords: Bank regulation and supervision, Banking stability and banking efficiency, deposit insurance, Lender of last resort, Forbearance, Japan and Germany

JEL: G21 G32