Economic History
Practical class #10

Ricardo Gouveia-Mendes
https://rgouveiamendes.org
rgouveiamendes@ucp.pt

Undergraduate in Economics
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Economic History Making-Of
Betting on Hitler


An idea

- Are there any connections between German industry and the Nazi movement in early 1933?
- How much was it worth to have close, early connections with the Nazi party?
- Was the supportive environment to the Nazi Party a matter of incentives?
Betting on Hitler

A Methodology

- Unused contemporary sources about:
  - management (the Vorstand) and supervisory board (Aufsichtsrat) composition
  - stock returns

- Criteria for connection to the Nazi
  - contributed financially to the party or to Hitler or Göring
  - or serving on (or helping to finance) various groups that advised the party or Hitler on economic policy
Betting on Hitler

Some results

1. **One out of seven firms** (...) had substantive links
2. A large proportion of the **biggest companies** had substantive links
3. Firms supporting the Nazi movement experienced unusually **high returns**
4. Connected firms outperformed unconnected by 5% to 8% between January and March 1933
5. Results independent from:
   - sectoral composition (no armament effect)
   - definitions of affiliation
Betting on Hitler

Betting on Hitler paid-off

- Regressions 1–5 Log returns from November 1932 to January 1933
- Regressions 6–10 Log returns from January 1933 to March 1933
- Coefficients associated to variable Nazi become significant

### Table III

<table>
<thead>
<tr>
<th>Regression</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>Nazi</td>
<td>0.0175</td>
<td>-0.002</td>
<td>0.012</td>
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<td>Jewish-owned</td>
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</table>

**Constant**

<table>
<thead>
<tr>
<th>Regression</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
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</thead>
<tbody>
<tr>
<td>Nazi</td>
<td>0.0697***</td>
<td>0.078***</td>
<td>0.084***</td>
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<td>Dividend yield</td>
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<td>0.46**</td>
<td>-0.6</td>
<td>(2.5)</td>
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<tr>
<td>Jewish-owned</td>
<td>-0.014</td>
<td>-0.07</td>
<td>(0.5)</td>
<td>(1.5)</td>
<td>(1.5)</td>
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</table>

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<thead>
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<th>Regression</th>
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<th>7</th>
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<th>10</th>
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<tbody>
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<td>-0.018</td>
<td>-0.01</td>
<td>0.18*</td>
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<td>Market cap</td>
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<td>3.5e-11</td>
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<td>0.9</td>
</tr>
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**Adj R²**

<table>
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<tr>
<th>Regression</th>
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<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nazi</td>
<td>0.038</td>
<td>0.05</td>
<td>0.09</td>
<td>0.08</td>
<td>0.05</td>
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<td>Market cap</td>
<td>448</td>
<td>374</td>
<td>317</td>
<td>317</td>
<td>265</td>
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</table>
Peru’s Mining Mita


An idea

- What are the long-run impacts of the mita, an extensive forced mining labor system in effect in Peru and Bolivia between 1573 and 1812?
- Is there any institutional persistent effect? Specially regarding:
  - land tenure
  - public goods provision
Peru’s Mining Mita

A Methodology

- **Data** from the Spanish Empire and Peruvian Republic to trace channels of institutional persistence

- Mita area is a multidimensional discontinuity in longitude-latitude space
  - Elevation, the ethnic distribution, and other observables are statistically identical across the segment of the boundary on which this study focuses
Peru’s Mining Mita

Some results

1. Mita districts historically had fewer large landowners
2. Lower educational attainment
3. Less integrated into road networks
4. Residents are substantially more likely to be subsistence farmers
5. Lower household consumption (~25%)
6. Stunted growth in children
7. Negative effect on hacienda concentration and significant still in 1940
8. Long-term presence of large landowners in non-mita districts provided a stable land tenure system that encouraged public goods provision
The Medieval Origins of Anti-Semitic Violence


An idea

- How persistent are cultural traits?
- What are the roots of anti-Semitism in Germany?
- Are there any conditions that historically favored it?

A Methodology

- Data on anti-Semitism in Germany
- Plague-era pogroms as an indicator for medieval anti-Semitism
The Medieval Origins of Anti-Semitic Violence

Some Results

1. Cities with a **strong tradition of long-distance trade** show significantly lower persistence over the long term than other communities (e.g., Hanseatic League)

2. The same is true of **southern German cities**

3. **Urban centers** that grew rapidly after 1750 exhibit a markedly weaker connection between medieval and modern-day anti-Semitism

4. Neither a tradition of being **governed by a bishop** nor relative **geographical isolation** have a direct effect on the persistence of anti-Semitism
Conceptions and Time-Budget Analysis


An idea

- **Puzzle**: the conflicting evidence about the course of living standards between 1500 and 1700
  - *real-wage* indicators show a marked decline
  - the total value of *inherited goods* growing decade by decade
- Working days in the year grew faster than daily real wages fell, primarily because of the *disappearance of old Catholic holy days*
- Were fertility patterns affected by the change in working days?
Conceptions and Time-Budget Analysis

A Methodology

- Patterns of labor and leisure are important factors acting not only upon fertility but also on the frequency of intercourse.
- Previous evidence: an individual holy day such as Shrove Tuesday was clearly discernible in the week-to-week recordings of baptisms.
- A problem: the gestation period varies considerably (a three-week moving average will overcome this problem).
Some results

TABLE 2
Regression of Three-Week Moving Average of Conceptions and Number of Holy Days

<table>
<thead>
<tr>
<th>Equation</th>
<th>Years</th>
<th>Regression coefficient</th>
<th>Constant</th>
<th>$R^2$</th>
<th>$F$</th>
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<tbody>
<tr>
<td>8</td>
<td>1558-1646</td>
<td>0.41</td>
<td>165.8</td>
<td>0.13</td>
<td>0.44</td>
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<tr>
<td></td>
<td>1662-1700</td>
<td>(0.7)</td>
<td>(37.52)</td>
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<td>Pre- and post-Civil War periods</td>
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<td>9</td>
<td>1558-1642</td>
<td>1.58</td>
<td>117</td>
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<td></td>
<td>(3.45)</td>
<td>(31.1)</td>
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<tr>
<td>10</td>
<td>1662-1699</td>
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<td>59.82</td>
<td>0.16</td>
<td>1.41</td>
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<td></td>
<td>(-0.24)</td>
<td>(19.4)</td>
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<td>Twenty-year periods</td>
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<tr>
<td>11</td>
<td>1558-1578</td>
<td>4.46</td>
<td>18.87</td>
<td>0.43</td>
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<td></td>
<td>(3.4)</td>
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<tr>
<td>12</td>
<td>1579-1598</td>
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<td>19.58</td>
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<td>13</td>
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<td></td>
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<td>(26.5)</td>
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<td>14</td>
<td>1619-1638</td>
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<td>30.07</td>
<td>0.28</td>
<td>6.4</td>
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<tr>
<td></td>
<td>(1.99)</td>
<td>(29.91)</td>
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</table>

Note: See text for description of procedure; $t$ statistics are in parentheses.

Declining effect of the (decreasing) number holy days in conceptions over time.
The Profits of the Slave Trade


An idea

- The slave trade was fantastically profitable
- It was the profits from the slave trade which financed the British Industrial Revolution and the first industrialization of the United States?
- Which classes and which groups appropriated the surplus expropriated from the estimated nine to eleven million slaves shipped out of Africa?
The Profits of the Slave Trade

A Methodology

- Examination of the way in which the markets were organized in the seventeenth- and eighteenth-century British-American slave trade
A Theoretical Exercise
A Theoretical Exercise

Suppose that the market for good A has the following structure: a monopolist sells to many firms that are in perfect competition and these latter sell to the final consumers (also many of them).

a. What does the market structure implies on the final consumers surplus with good A?

b. What about the profits of intermediate firms?

c. Now imagine that we add an intermediate layer of firms in perfect competition, say between the final consumers and the previous intermediate firms. Would your answer to the previous question change?
Some results

1. [European slaves’] markets were highly competitive
2. These same market conditions generally obtained among the African exporters of slaves
3. Supply of slaves were in nearly perfect elastic supply
4. Profit was absorbed in the price of the slave and was passed on to the original slavers — the fishers of men

Why did not the providers of slaves benefit so much from their rents?