Economic History

Week 7: Economic History Making-Of

Ricardo Gouveia-Mendes
rgouveiamendes@ucp.pt

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Católica-Lisboon School of Business and Economics

Plan for the Class

1. Betting on Hitler
2. Peru's Mining Mita
3. The Medieval Origins of Anti-Semitic Violence
4. Conceptions and Time-Budget Analysis
5. The Profits of the Slave Trade

Betting on Hitler

The Research Question

Ferguson, Thomas, and Hans-Joachim Voth. 2008. "Betting on Hitler — the Value of Political Connections in Nazi Germany." *The Quarterly Journal of Economics* 123 (1): 101–37.

- 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 support to the Nazi Party a matter of **economic incentives**?

THOMAS FERGUSON

HANS-JOACHIM VOTH

The Methodology

- **Unused contemporary sources** about:
  - Composition of the Management (*Vorstand*) and the Supervisory (*Aufsichtsrat*) Boards
  - Stock returns
- **Criteria for connection** to the Nazi
  - *Financial contributions* 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

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 are independent from:
    - Sectoral composition (no armament effect)
    - Definitions of affiliation

Some results

TABLE III
OLS REGRESSIONS (DEPENDENT VARIABLE: LOG RETURNS
NOVEMBER 1932–JANUARY 1933; JANUARY 1933–MARCH 1933)

	Regression				
	1	2	3	4	5
Nazi	0.0175	−0.002	0.012	0.012	0.021
	(0.79)	(0.08)	(0.48)	(0.047)	(0.95)
Market cap		−1.8e − 11	1.3e − 12	6.7e − 12	5e − 11
		(0.3)	(0.02)	(0.09)	(0.9)
Dividend yield			−0.066	−0.67*	−0.3
			(1.63)	(1.7)	(1.4)
Jewish-owned				−0.018	−0.02
				[0.5]	[0.6]
Constant	0.104***	0.12***	0.138***	0.14***	0.13***
	(9.63)	(10.2)	(7.0)	(7.0)	(6.7)
β					0.002
					(0.9)
Adj. R^2	0.001	0.006	0.01	0.007	0.004
N	436	352	299	299	277

	Regression				
	6	7	8	9	10
Nazi	0.0697***	0.078***	0.084***	0.083***	0.078***
	(4.6)	(4.5)	(4.3)	(4.3)	(2.7)
Market cap		9e − 11*	3.5e − 11	3.9e − 11	5e − 12
		(1.7)	(0.7)	(0.8)	
Dividend yield			0.47**	0.46**	−0.6
			(2.5)	(2.5)	(2.0)
Jewish-owned				−0.014	−0.07
				(0.5)	(1.5)
Constant	0.0024	−0.003	−0.013	−0.01	0.13*
	(0.3)	(0.3)	(1.3)	(1.1)	(7.7)
β					0.002
					(1.5)
Adj. R^2	0.038	0.05	0.09	0.08	0.05
N	448	374	317	317	265

t-statistics in parentheses. Standard errors are based on Huber-White heteroscedasticity-consistent estimates and clustered on the level of the firm.
*, **, *** indicate significance at the 90%, 95%, and 99% levels of confidence.

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

Peru’s Mining Mita

The Research Question

Dell, Melissa. 2010. "The Persistent Effects of Peru's Mining Mita." *Econometrica* 78(6): 1863–903.

- **Mita:** extensive forced mining labor system in effect in Peru and Bolivia between 1573 and 1812
- Is there any **institutional persistent effect** (land tenure, public goods provision)?

MELISSA DELL

The Methodology

- **Data** to trace channels of institutional persistence
- Strategy to deal with **multidimensional discontinuity**, identifying areas with the same observables like:
  - elevation
  - ethnic distribution

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** (about -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

The Research Question

Voigtländer, Nico, and Hans-Joachim Voth. 2012. "Persecution Perpetuated: The Medieval Origins of Anti-Semitic Violence in Nazi Germany." *The Quarterly Journal of Economics* 127(3): 1339–92.

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

NICO VOIGTLÄNDER

HANS-JOACHIM VOTH

The Methodology

- **Data** on anti-Semitism in Germany
- Plague-era pogroms as an **indicator for medieval anti-Semitism**
  - Jews were often blamed when the Black Death (1348–50)
  - The prejudice relies on the fact they were traveling all over Europe
  - Some cities and villages organized *pogroms* (violent riots) against Jews for this reason

Some results

1. Cities with a **strong tradition of long-distance trade** show significantly lower persistence over the long term than other communities (eg. The 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 the 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

The Research Question

Voth, Hans-Joachim. 1994. "Seasonality of Conceptions as a Source for Historical Time-Budget Analysis: Tracing the Disappearance of Holy Days in Early Modern England." *Historical Methods: A Journal of Quantitative and Interdisciplinary History* 27(3): 127–32.

HANS-JOACHIM VOTH

- **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
- Were **fertility patterns** affected by the change in working days?

The Methodology

- Patterns of **labor and leisure** are important factors upon **fertility** and the **frequency of intimate contact between the couple**
- Working days in the year grew faster than daily real wages fell, primarily because of the **disappearance of old Catholic holydays**
- **Previous evidence:** an individual holyday 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

Equation	Years	Regression coefficient for holy days	Constant	R^2	F
8	1558–1646 1662–1700	0.41 (0.7)	165.8 (37.53)	0.13	0.44
		Pre- and post-Civil War periods			
9	1558–1642	1.58 (3.45)	117 (31.1)	0.28	6.29
10	1662–1699	−0.31 (−0.24)	59.82 (19.4)	0.16	1.41
		Twenty-year periods			
11	1558–1578	4.46 (3.4)	18.87 (12.6)	0.43	11.61
12	1579–1598	2.4 (2.6)	19.58 (23.57)	0.31	7.44
13	1599–1618	1.12 (1.79)	21.26 (26.8)	0.24	4.49
14	1619–1638	1.49 (1.99)	30.07 (29.91)	0.28	6.3

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

The Research Question

Thomas, Robert Paul, and Richard Nelson Bean. 1974. "The Fishers of Men: The Profits of the Slave Trade." *The Journal of Economic History* 34(4): 885–914.

- The **slave trade** was fantastically **profitable**
- Was it the slave trade that allowed **the British Industrial Revolution** and the **first industrialization of the United States**?
- Who benefited from the slave trade?

ROBERT P. THOMAS
RICHARD N. BEAN

The Methodology

- Microeconomics 1.0 exercise: salves' **markets structure analysis**
- Suppose a market structure **good A** like: monopolist—many perfectly competitive firms—atomistic final consumers
  1. What does this structure implies on **consumers surplus** with good A?
  2. What about the **profits of intermediate firms**?
  3. Imagine a new **intermediate layer of perfectly competitive firms** 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** (horizontal): traders were price-takers
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?