Department of Economic History

Alumni Newsletter

Winter Term 2023-24

Welcome, from Head of Department, Professor Patrick Wallis

Happy New Year to you all! I hope you had a restful break and are ready to meet the new year head on. It is always hard to get back into the swing of things when the days are so short, but at least we are not revising for exams – our thoughts are with the students as they prepare for them!

In the department, we are looking forwards to the launch of our new Financial History Group. This will be led by Olivier Accominotti, who will have taught many of you, and will involve our expanding group of faculty and research students working on financial history, including Albrecht Ritschl, Natacha Postel-Vinay and Jason Lennard. Financial history has never been more relevant or important, and we hope that the Group will be able to bring economic historians into conversation with practitioners in the City of London and elsewhere. Do look out for its events in the near future.

Several of our PhD students have been awarded their doctorates – please join me in congratulating Mario Cuenda Garcia, Andrea Ramazotti and Juan Jose Rivas Moreno.

We are delighted to announce that, due to a generous donation from Peter Oppenheimer (BSc in Geography, 1985), we are able to offer the Goldman Sachs Gives (UK) – Oppenheimer MSc in Financial History Scholarship to a student domiciled in the UK for the academic year 2024-25. This is a truly generous contribution, and one that will transform a student's experience here.

Once again, our student Investment Competition was incredibly popular – the standard of entrants was very high, and the competition was hard-fought over an intense weekend of research and presenting! You can read more about the teams and meet the winners here. We are grateful to Gerben Bakker and the panel of alumni and expert judges Anisha Gangwani, Joachim Liese and Steve Mobbs who generously gave up their weekends to participate. Particular thanks go, once again, to Peter Cirenza, who furnishes the first prize – a day shadowing analysts at leading asset management and investment firm, Tikehau Capital.

Please keep Thursday 7th March free as we are pleased to announce that James Feigenbaum, Boston University, will deliver our annual

Epstein Lecture: *217 million Census Records: Evidence from Linked Census Data.* You can find out more about this, and other events on our webpage here.

In our Profile this edition we catch up with Janet Hunter, Emeritus Saji Professor of Economic History who reflects on the different approaches to teaching Japanese economic history over her long career in the department.

Please do stay in touch – we'd love to know what you've been up to.

Patrick Wallis

Congratulations

To Leigh Gardner, Helena Ivins, Natacha Postel-Vinay, Anne Ruderman and Oliver Volckart on receiving LSE Excellence in Education awards this year.

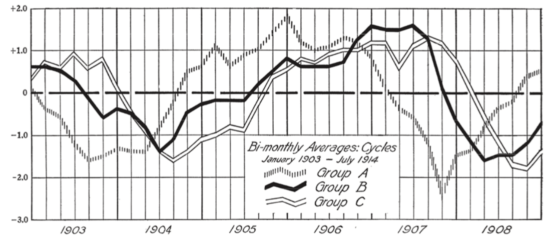
These awards are designed to support the School's aspiration of creating 'a culture where excellence in teaching is valued and rewarded on a level with excellence in research', and are awarded to staff who have demonstrated outstanding contribution and educational leadership in their departments.

Faculty Research

In a blog post from October, to tie in with the publication of an article in Studies in History and Philosophy of Science (Vol 101, pp. 30-39), Mary Morgan and her co-author Marcel Boumans, Utrecht, investigate the way in which visualisations can be sense-making:

If we start with evidence about a new phenomenon, such records or traces do not make sense by themselves, therefore they need to be organised together and processed to see whether they show some patterns, or some inter-relations. This processing is usually done by translating the relevant information or data into a common medium (such as a mathematical model, a narrative, or a diagram) where they can be examined for patterns, compared directly, and meaningful relations can be established between them.

This paper considers the visualization of business cycles. 'Observing business cycles' is a figurative expression. What we actually see are tables of figures or charts that purport to show in standardized symbols one among several species of changes found in time series, which are themselves bleak numerical records of certain mass activities.



These series give many glimpses of our cycles, but none of them gives a well-rounded view. The changes on which we focus attention never occur by themselves in the way our symbols suggest. Like other scientific concepts, ours is a man-made entity, created by pulling apart items of experience that can be observed directly; then putting like parts together into a new whole that cannot be seen by the eye or touched by the fingers.

Sense-making visualisations, like narratives, enable scientists to think, reason, explore, and understand their materials, but their specific visualisations also set boundaries on that activity.

Read the full article [here]

Student Research

The Impact of Italy's Judicial System on Post-war Economic Performance

By Giorgio Acerbi, 3rd year BSc Economics and Economic History

Conventional wisdom links efficient judicial systems with economic performance. Judicial systems protect property rights and contracts that allow financial markets to function and encourage firms to invest in innovations. Shorter trials decrease transaction costs that firms face. However, LSE student Giorgio Acerbi found that in the case of post-war Italy, longer civil trials correlated with faster GDP growth. Reverse causality lies at the root of this peculiar finding. Increases in economic activity caused an increase in demand for contract enforcement, which in turn led to more strain on the judicial system and longer trials.

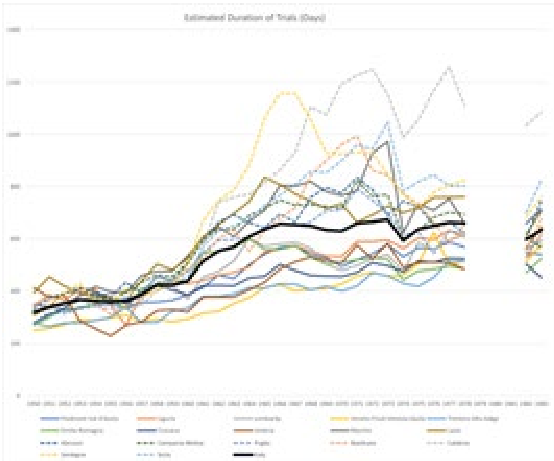
From 1950 to 1983, the average duration of first-instance civil trials grew from 319 to 635 days. Italy's GDP per capita grew at an average annual rate of 4.14% over the same period. Both growth and judicial inefficiencies varied widely by region. The range between the most and least efficient regional judicial system grew from 163 to 634 days. I exploit Italy's regional heterogeneity to analyse the effect of judicial efficiency on economic performance.

Calculating Judicial Inefficiency

The Annuario di Statistiche Giudiziarie contains annual data on the number of new, closed, and pending trials in each Italian Court of Appeal District. This data can be used to estimate the duration of a civil trial in each district, by using the following approximation:

$$\text{Estimated Duration of Trial (Years)} = \frac{(P_t + P_{t+1})}{N_t + C_t}$$

Where Pt are the number of trials pending at the beginning of year t, Pt+1 are the trials pending at the end of year t, Nt are the new trials opened in year t, and Ct are the trials closed for any reason in year t. I report the estimated duration of a civil trial in the graph below for the years 1950 to 1983. I excluded the years 1979 through 1981 due to missing data.



Sources: Annuario di Statistiche Giudiziarie (1949-1984), Istituto Centrale di Statistica, Rome.
Note: Missing data made it impossible to estimate the duration of trials for 1979 and 1981.

I estimated the effect of judicial efficiency on economic performance by regressing regional real GDP growth rates and investment rates on the estimated average duration of civil trials. I controlled for time-invariant regional characteristics and for the effect of time trends through two-way fixed-effects regressions.

The results of these two-way fixed-effects regressions reveal that an increase in the estimated average duration of first-instance civil trials appears to have a positive effect on both the GDP growth rate and the investment rate. Increasing the average trial duration from one to two years is associated with a 1.22 percentage point higher GDP growth rate and a 2.29 percentage point higher investment rate.

The Inefficient Italian Judicial System and Post-War Growth
One possible explanation of the association between growth and judicial inefficiencies is that government investment policies are the underlying driver of economic growth, which happens to occur in the same regions that have longer trials. The Italian government directed large amounts of public investment towards the southern regions, where trial duration was growing fastest, between 1950 and 1970. This hypothesis was tested by running the regressions excluding Italy's five northern regions, which received less public investment. The new results reveal that there was a positive bias in the previous investment rate regression, but there was no effect on the GDP growth regression. Thus, bias due to omitted variables seems unable to fully explain these results.

The most plausible explanation is a combination of two factors. First, Italy's judicial system was ineffective, so longer trials might not have harmed or impeded market functions. La Porta et al. (1998) ranked countries based on their track record of ensuring legal protections for investors. Italy ranked 48th of the 49 countries in the study. If laws are generally ineffective in protecting property rights, then a more efficient judiciary is not necessarily going to facilitate GDP growth.

Second, greater economic activity increases the need for contract enforcement and therefore may lead to more demands on the judicial system, and thus to larger backlogs and longer trials, positively biasing the regression results. The increased economic growth increased the demands placed on the judiciary system together with an Italian legal system that was generally ineffective at protecting property rights, may explain the observed positive association between the duration of civil trials and GDP growth and investment rates.

My results suggest that the effect of civil trial duration on economic performance was non-linear. The positive association between economic growth and trial length reverses to a negative association when trials last longer. Increasing the average trial duration from 2 to 3 years only increased the GDP growth rate by 0.416 percentage points and decreased the investment rate by 6.05 percentage points. This finding re-aligns the data with conventional wisdom and underlines the economic harm of inefficient judiciaries.

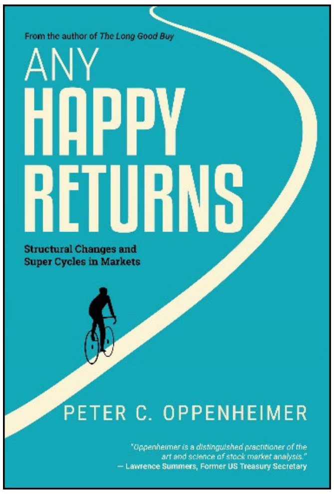
A Non-linearity Conclusion on Judicial Inefficiency
The ability of the judicial system to effectively enforce contracts and protect property rights is relatively unaffected by average trial duration increasing from one to two years, but more severely impaired by further

increases past that threshold. This non-linear trend agrees with my assessment that the positive association between increases in civil trial duration and economic growth are the product of reverse causality bias. When trials are relatively brief, reverse-causality bias masks the negative relationship between judicial inefficiencies and economic growth, which only becomes apparent at higher levels of judicial inefficiency.

Events in Winter Term

As always, we have a variety of events that you are welcome to attend – in-person or online:

Alumni Event

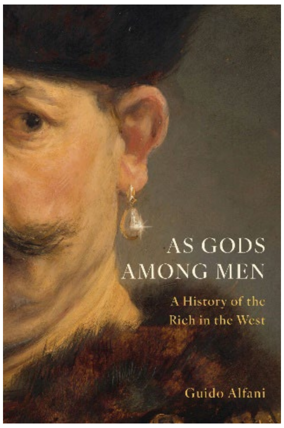


Any Happy Returns: Structural Changes and Super Cycles in Markets

On Tuesday 30th January 6.30pm (Thai Theatre, CKK Building and online), Peter C. Oppenheimer will discuss how structural changes in microeconomic drivers, geopolitics, government policy and social attitudes all combine to drive secular super cycles that help to explain investor returns.

For more information, including how to register, see the event page here.

Public Event



As Gods Among Men: A History of the Rich in the West

On Wednesday 14th February 6.00pm (MAR 208, Marshall Building), Guido Alfani will deliver this public lecture based around his latest book in which he offers a novel perspective on current debates about wealth and income disparity.

For more information, including how to register, see the event page here.

Epstein Lecture

217 Million Census Records: Evidence from linked census data

On Thursday 7th March 6.30pm (Auditorium, Centre Building and online) James Feigenbaum, Boston

University, will deliver our annual Epstein lecture.

Using new historical census sources and advances in record linking technology, Feigenbaum will show how the ability to link individuals over time, and between databases, allows us to track intergenerational mobility, assimilation, discrimination and the returns to education.

For more information, including how to book, see the event page here.

Profile

In this edition, Janet Hunter, the Department's first specialist in Japan's economic development, talks about how the subject has changed from being a niche topic to an important area for students studying comparative economic development:

You know you are being reminded of your age when you are asked to talk about 'the changes you've seen' during your career. Or when you are sorting out stuff and come across a yearbook produced by the 1994-5 cohort of MSc Economic History students. If any members of that cohort are reading this piece, then you may, or may not, wish to be reminded of what you might have written in that yearbook. For me it was certainly a welcome reminder of the joys of teaching, the extent to which I have learnt from students and their questions, and the pleasure of getting to know so many interesting and able individuals over more decades than I care to say. I like to think that at least some of you remember fondly my attempts to make you more aware of Japan's economic history and why it might have a broader significance.

When I started studying Japanese economic history Japan was a niche topic. Although Japan had in the early 1950s become a US ally and a bastion of the capitalist camp in Cold War Asia few in the West could forget or forgive the appalling excesses of the country's war record in East and Southeast Asia and the Pacific. Many of the economic reforms imposed during the postwar Occupation were conceived of primarily as punishment rather than as means of ensuring economic recovery, and the country struggled with economic problems in the late 1940s and early 1950s. When development economists such as W. Arthur Lewis began to take a major interest in Japan it was to the existence of 'unlimited supplies of labour' in the prewar and late 19th century Japanese economy that they looked, rather than any reflection of the country's contemporary position. Such analysis did, however, lay the groundwork for theories of Japan as a development model. Although by the late 1950s signs of significant growth were apparent, Japan remained in effect a 'developing economy' whose per capita income levels were well below those of most European countries, let alone those in North America. It was hard to find texts on Japan's economic history beyond the many studies undertaken by G.C. Allen, Professor of Political Economy at University College London, who had first visited

Japan in his youth, teaching in Nagoya 1922-25. Little of the abundant Japanese economic history scholarship was available in English, not least because of its widespread use of Marxist conceptual frameworks. By the early 1970s in the wake of the first Oil Shock, however, the economic transformation that had been taking place in Japan was becoming apparent to all. The need for a greater understanding of how Japan's economy was developing and how it had got there was increasingly widely recognised, if only to try and comprehend better the nature of Japan's international competitiveness. Books such as Ronald Dore's *British Factory Japanese Factory* (1973) and Ezra Vogel's *Japan as Number One: Lessons for America* (1979) helped to move Western studies of Japanese economic history away from the older Western-centric tropes that viewed Japan and other developing economies as 'catching up' and 'copying' their more industrialised Western counterparts, framing their analysis within broader dynamics of development, whether capitalist or Marxist. New scholarship acknowledged the autonomy of many aspects of Japanese development, even suggesting that the West did indeed have things to learn from Japan. The evident success of Japan's 'economic miracle' gave added weight to this trend, but somewhat paradoxically also suggested that the rise of Japan to become the world's second largest economy was in some ways an anomaly. The phrase 'economic miracle' did not merely suggest that the country's economic success was unexpected; it suggested that the whole phenomenon of Japan's growth was the result of some kind of *deus ex machina*. As other countries sought to cope with the impact of Japanese competition in global markets and the significant investment flows out of Japan, too often Japan's success and competitiveness were attributed to 'unfair' competition (as they had been in the 1930s) and, associated with it, to nebulous and undefined aspects of Japanese 'culture'. This concept of 'culture' as the secret of Japan's success was also emphasized in triumphalist fashion by a number of Japanese commentators, *eg.* Matsumoto's *Rise of the Japanese Corporate System* (1991). Culture became the residual in the equation; it implied that Japan's experience was resistant to rational explanation and could not be replicated by other developing economies, something that was subsequently shown to be blatantly untrue.

These assumptions still prevailed when I started teaching at LSE in the 1980s, when Japan's export dominance and foreign investment flows were near their peak. The acknowledged global importance of Japan's economy was more than sufficient to persuade all involved of the importance of understanding the nature of Japan's development, and where necessary of probing and challenging some of these widespread assumptions. This led to our teaching of Japan's modern economic history both as part of a comparative course (some of you may remember the famous second year BSc course comparing Russia, India and Japan which predated my arrival and was compulsory not only for all single honours economic history undergraduates, but for one of the big BSc Economics programmes as well) and as a special subject at undergraduate and postgraduate levels. That Japan mattered to us all was obvious.

Like all booms, however, the Japan boom did not last for long. In the early 1990s Japan's Bubble Economy burst, overinflated asset prices collapsed, and the country entered a period of stagnation referred to initially as the 'Lost Decade', but progressively extended to become the 'Lost Decades'. Deflation, very low growth, reduced consumption spending, an ageing population (and hence labour shortage) as well as the increasing competitiveness of other Asian economies are among the factors that have contributed to persistent and wide-ranging economic problems. The contemporaneous rise of China within the global economy has shifted scholarly analysis away from what is often seen as a 'declining' economy towards what are seen as more urgent issues. The number of scholars in UK universities specialising in Japanese history pales into insignificance by comparison with those working on China, and there is not to my knowledge a single specialist economic historian of Japan teaching that country's economic history in a UK university (please correct me if I am wrong, I would be delighted!).

And yet I would argue that understanding better Japan's economy, past and present, still matters to us all. Its economic history is innately as interesting as that of any other country or region. The rich historical sources and data allow us to locate economic issues within the broader interdisciplinary approaches that are sometimes needed. It remains the fourth largest economy in the world (by GDP), and its historical trajectory as the first non-Western industrial economy and the forerunner of the other Asian tigers underlines its importance for all students of comparative economic development. I think that I am right in saying that I was the first specialist in Japan's economic development to be hired by the Economic History Department at LSE. I hope that I will not be the last.

If you would like to be featured as a profile article, or would like to nominate someone, please contact Tracy Keefe

Keep in Touch

Our LinkedIn Group now has nearly 350 members and is intended to help alumni and current students stay in touch. We regularly publish Departmental information, and we'd love to hear your suggestions about what else to include.

We have decided to decommission our Facebook page, but could be persuaded to reconsider if enough people tell us they like it!

You can also Tweet us at: @LSEEcHist or follow us on Instagram

If you would like to get involved in our student mentoring programme, please contact Oli Harrison, or if you have any suggestions for articles you would like to see covered in the newsletter, please contact Tracy Keefe.

If you would like to receive copies of our newsletter direct to your inbox, just sign-up to the Alumni Network here.