

# Unlocking Development

A new CAGE policy report, 'Unlocking Development', examines the challenge of sustaining economic growth in poorer countries. CAGE and the Social Market Foundation launched the report with an event in London on 2 December 2014 at The Royal Institution of Chartered Surveyors at Parliament Square.

'Unlocking Development', a new policy report by five CAGE researchers, analyses issues critical for sustaining economic growth in poorer countries. The report knits together a broad range of perspectives to shed light on the forces that trap the world's poor in poverty. The report considers the problem on three levels – in terms of the national economy, the private sector, and citizenship.

## Key issues:

- The national economy. Identifying the factors that underlie sustainable growth, and promoting the rule of law in order to make economic growth more stable and sustainable.
- The private sector. Examining the sources of business capacity and sustainable growth of private-sector enterprise and entrepreneurship.
- Citizenship. Analysing the links between citizenship and economic development, and showing how political voice can enable women to participate more freely in society and in the economy.

The report shows how economic development relies on the rule of law, including a framework of laws and their enforcement that is applied to all and accessible by all. Without such a framework, the sustainable growth of national economies and their businesses is threatened when laws fail to resolve conflicts. This failure is often accompanied by corruption or violence. So, the authors discuss what can be done to promote the rule of law; to make economic growth more stable and sustainable; to enhance the capacity of business organisations that are most likely to attract, grow and create jobs; and to enable women to play a full part in economic development as citizens, providers, and entrepreneurs.

## INSIDE

- | CAGE announces new advisory board
- | Analysing the public health challenges of antimicrobial resistance
- | Assessing whether 'secular stagnation' is Europe's future

## The authors of the report are:

**Stephen Broadberry**, professor of economic history at the London School of Economics and Political Science, and CAGE theme leader

**Leigh Gardner**, assistant professor of economic history at the London School of Economics and Political Science, and a CAGE research associate.

**Rocco Macchiavello**, associate professor of economics in The University of Warwick Economics Department, and a CAGE research associate

**Anandi Mani**, associate professor of economics in The University of Warwick Economics Department, and a CAGE knowledge exchange fellow

**Christopher Woodruff**, professor of economics in The University of Warwick Economics Department, and CAGE research associate.

CAGE Director **Nicholas Crafts** provides an introduction to the report.

## Welcome...

CAGE extends a warm welcome to its new visitors.



**Visiting Media Fellow,  
Paul Taylor**

CAGE welcomed Paul Taylor, the Paris-based European Affairs Editor of Reuters, as a Media Fellow. While in residence at CAGE from 11- 13 November, Taylor presented a special CAGE seminar, 'Out of the Frying Pan or Into the Fire? Unfinished Business in the Eurozone'. In his Reuters position, Taylor writes analysis and coordinating coverage of the EU, NATO and European politics and economics. He writes a fortnightly 'Inside Europe' column for the International New York Times. He won Reuters journalist-of-the-year award in 2012 for leading coverage of the Eurozone crisis.

## Congratulations...

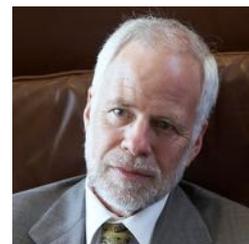


**Professor  
Kimberley Scharf**

CAGE research associate Kimberley Scharf was honoured by the Economic and Social Research Council (ESRC) in its annual report on Research Performance and Economic Impact 2013/2014. The report singled out Prof. Scharf, a professor in The University of Warwick Economics Department, for her significant impact on public policy in the UK, noting that her work 'helped reverse government proposals of a cap on tax relief for charitable giving. Consequently charitable donations were excluded from the cap on unlimited income tax reliefs in the Finance Act 2013. Professor Scharf's critical assessment, its research-based credibility, and dissemination of her views on blogs and social media have been credited in part for the reversal of the original policy. The Charities Aid Foundation estimated such a cap would lead to a potential £500m annual loss to the sector.'

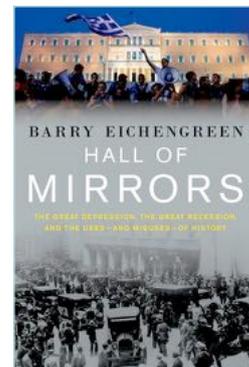
CAGE congratulates Prof. Scharf on this well-deserved recognition of the power of her research.

# Hall of Mirrors



**Barry Eichengreen delivered a CAGE lecture based on his book, 'Hall of Mirrors: The Great Depression, the Great Recession, and the Uses – and Misuses – of History'.**

**The event took place at the University of Warwick on 26th January.**



Professor Barry Eichengreen, University of California, Berkeley and University of Cambridge, presented a CAGE lecture examining the links between the two economic and financial crises of the past 100 years, and the lessons that should be learned in their wake.

The lecture was based on his new book, 'Hall of Mirrors: The Great Depression, The Great Recession, and the Uses - and Misuses - of History' (Oxford University Press). Prof. Eichengreen's discussion focused on how distilled wisdom about the Great Depression of the 1930s informed, and misinformed, the policy response to the Great Recession of 2008-9. He also explained how, conversely, the experience of the Great Recession will fundamentally reshape how we think about the Great Depression.

Professor Eichengreen's lecture attracted a full audience of students, staff and academics. The lecture was followed by a lively Q&A and a book signing.

## CAGE Collaboration

We have been privileged to host Professor Kyoji Fukao from the Institute of Economic Research, Hitotsubashi University, Tokyo, at CAGE. He spent a month here working with Stephen Broadberry, economics professor at the London School of Economics and Political Science and CAGE research theme leader. The pair are investigating the transition to modern economic growth in Britain and Japan.

# Lessons from 20th Century Growth

**CAGE Director Nicholas Crafts presented the Angus Maddison Development Lecture at the Paris headquarters of the Organisation for Economic Co-operation and Development. The lecture, 'Catching Up and Falling Behind: Lessons from 20th Century Growth', took place on 1 July 2014.**



CAGE director Nicholas Crafts presented a lecture, 'Catching Up and Falling Behind: Lessons from 20th Century Growth', at the OECD headquarters in Paris. The discussion was presented as the third Angus Maddison Development Lecture at the OECD's annual Development Week.

Prof. Crafts' influential ideas and detailed empirical work on

comparative long-run growth performance have greatly contributed to advance the history of economic analysis. In his lecture, Prof. Crafts explored what can be learnt from the startling contrasts in growth performance across the world during the 20th century. The lecture examined the roles played by geography, institutions and policy with regard to success and failure in catch-up growth. The presentation highlighted the difference a historical perspective can make in thinking about the development challenges of the 21st century.

The Lecture Series on Development in honour of Angus Maddison was launched in 2012, on the occasion of the OECD Development Centre's 50th Anniversary, and has since become a regular event of the Centre's Development Week. It aims to commemorate Angus Maddison, a renowned scholar on quantitative macroeconomic history and one of the founding fathers of the OECD Development Centre whose work has greatly influenced the development policy debate.

## Industrialisation: Why Britain Got There First

**In the final 2014 lecture of the 'History of Capitalism' series, the Legatum Institute hosted CAGE Director Nicholas Crafts, who explored the question of why Britain was the first country in the world to experience the transition to an industrialised economy. The lecture was presented 26th November, 2014, in London.**

Prof. Nicholas Crafts' lecture examined the questions surrounding why and how Britain became the birthplace of the Industrial Revolution. His lecture set out the quantitative details of the Industrial Revolution; considered what factors were conducive to Britain becoming the first industrial nation and the 'workshop of the world'; and addressed the difficulties of explaining the acceleration of technological progress. His lecture also highlighted some aspects of the legacy of Britain's early start.

Britain's experience of early industrialization was idiosyncratic and left a distinctive and, in some ways, difficult legacy that has implications for its later economic development, Crafts said.

These years saw a remarkable economic achievement by comparison with earlier times, but it must be recognised that by later standards this was in many ways a modest beginning, he said.

The factors conducive to the First Industrial Revolution were essentially transitory, lacking the needed ingredients upon which long-term leadership could be maintained. Indeed, in some ways early success may have made subsequent economic advance more difficult, he said.

The Legatum Institute is an international think tank and educational charity focused on promoting prosperity.

**CAGE workshops and seminars offer insight into the research frontier on a wide variety of topics Recent presentations from the Work in Progress workshop and Applied Micro Early Stage (AMES) seminars can be found on the CAGE website. Recent events include:**

- ‘Knowing who you are: The effect of feedback information on exam performance’ by Rigissa Megalokonomou, a PhD student in the Economics Department at the University of Warwick,
- ‘Ready for boarding? The ambiguous effects of a boarding school for disadvantaged students’ by Clement de Chaisemartin, CAGE research associate and assistant professor in the Economics Department at The University of Warwick.
- ‘Scientific Leadership: The Rise of U.S. Science in the Wake of World War I’ by Fabian Waldinger, CAGE research associate and associate professor in the Economics Department at The University of Warwick.
- ‘Drugs and Crime in the US: Evidence from OTC Regulations Targeting Crystal Meth Precursors Chemicals’ by Rocco D’Este, PhD student in the Economics Department at The University of Warwick.
- ‘Do stricter teen driving laws reduce crime and substance abuse?’ by Marian Vidal-Fernandez, lecturer at the School of Economics in the Business School of the University of New South Wales (Australia).
- ‘Does greater autonomy among women provide the key to better child nutrition?’ by Wiji Arulampalam, CAGE research associate and professor in the Economics Department at The University of Warwick.
- ‘Competition and Relational Contracts: Evidence from Rwandan Coffee Mills’ by Ameet Morjaria, a post-doctoral student at Harvard University.
- ‘Latin American Entrepreneurs: Many Firms but Little Innovation’, a recent report co-authored by Messina and others at the World Bank, presented by Julian Messina, a senior economist in the Office of the Chief Economist for Latin America and the Caribbean at the World Bank.
- James Choy, CAGE research associate and assistant professor in the Economics Department at The University of Warwick, presented ‘Communities as Child-Rearing Coalitions: The Case of the Amish’.
- ‘The Political Fallout of the Chernobyl Disaster: Evidence from the Rise of the German Green Party’ by Christoph Koenig, PhD student in the Economics Department at The University of Warwick.
- ‘Ethnic Discrimination on an Online Short-term Rental Marketplace’ by Roland Rathelot, CAGE research associate and assistant professor in the Economics Department at The University of Warwick.

**Recent Applied Micro Early Stage (AMES) seminars:**

- ‘Does Bankruptcy Protection Affect Risk-Taking in Household Portfolios?’ by Mariela Dal Borgo, CAGE PhD student.
- ‘Demanding Hatred: World War I Veterans and the Rise of anti-Semitism in Weimer, Germany’ by Chrisoph Keonig, PhD student in the Economics Department at The University of Warwick.
- ‘Conspicuous Consumption and Peer Effects Among the Poor: Evidence from a Field Experiment’ by Christopher Roth, PhD student in Keble College at the University of Oxford.
- ‘International Trade and the Performance of Manufacturing Plants: Evidence from India in the Wake of the China Trade Boom’ by Shubhasish Barua, PhD student in the Economics Department at The University of Warwick.
- ‘Assortative Matching of Exporters and Importers: Evidence from Peru’ by Jorge Chavez Cotrado, PhD student in the Economics Department at The University of Warwick.
- ‘Is Academic Success Due to Great Teaching? Evidence from the Chilean School System’ by Mario Fernando Sanclemente Villegas, PhD student in the Economics Department at The University of Warwick.
- ‘Tough on Young Offenders: Harmful or Helpful?’ by Giulia Lotti, PhD student in the Economics Department at The University of Warwick.
- ‘The Price Elasticity of Charitable Donations: Evidence from UK Tax Records’ by Miguel Almunia, assistant professor in the Economics Department at The University of Warwick, (joint with Benjamin Lockwood and Kimberley Sharf, professors in the Economics Department at The University of Warwick. The authors are all CAGE research associates.

# Launching new research and a new presentation series

**Mirko Draca held a policy briefing in London to launch a new research paper, 'Institutional Corruption? The revolving door in American and British Politics'. Held on 23rd October in London, the briefing served as the inaugural event for a new series of presentations on CAGE research through collaboration with the Social Market Foundation.**



Mirko Draca presented a new research paper, 'Institutional Corruption? The revolving door in American and British Politics' at an event held in conjunction with the Social Market Foundation in London.

Dr. Draca is an internal CAGE research associate and an assistant professor in The University of Warwick Economics Department. The briefing put forward the idea that political decision-making in the US and the UK is being affected by an increasing trend towards 'institutional corruption' driven by the personal incentives affecting our political elites. 'Institutional corruption' is not corruption in the technical sense of illegal activity. Instead, this term describes the process by which a bad set of incentives ('political money') collides with our institutions to produce outcomes that strongly favour special interests over public welfare.

Dr. Draca's research provides evidence on the 'revolving door' between government and private sector employment in Washington, especially the lobbying industry. The research finds that the 'revolving door' is a core feature of Washington political careers. Former political insiders account for around 60 per cent of lobbying firm revenues. Empirical modelling work indicates that there is a significant market for access in the lobbying industry. That is, the research demonstrates

that connections explain a very large fraction of lobbying revenues.

The briefing also raised concerns about the efficacy of new legislation in the UK. The legislation put forward contains an inadequate lobbying register with minimal information, Dr. Draca said. Specifically, he noted, the UK legislation has major deficits relative to the US model with limited coverage of lobbying activity and no information on money spent, issues covered, or the people working on major lobbying contracts.

The event opened a new series of research presentations that are the result of the partnership between CAGE and the Social Market Foundation (SMF), a leading cross-party think tank, developing innovative ideas across a range of economic and social policy. The SMF's current research themes are productivity and growth; the cost of living; and public service reform.

The foundation champions policy ideas that marry markets with social justice, and take a pro-market rather than free-market approach. The foundation's work is characterised by the belief that governments have an important role to play in correcting market failures, and that a sustainable market economy rests on social and political foundations that are widely regarded as fair.

## From the CAGE Blog

The CAGE blog carries news and discussion of CAGE research on long-run growth and development, the influence of beliefs and cultures, political economy, and economic policy.

Recent features, available at: [blogs.warwick.ac.uk/cage/](https://blogs.warwick.ac.uk/cage/) include:

### Women's Wages: Six Centuries of Data

'The Wages of Women in England, 1260-1850'

*Authors: Jane Humphries, professor of economic history at Oxford and a fellow of All Souls College; and Jacob Weisdorf, CAGE associate and professor of economics at the University of Southern Denmark. CAGE working paper no. 215*

Weisdorf, a CAGE associate, is professor of economics at the University of Southern Denmark. His co-author is professor of economic history at Oxford and a fellow of All Souls College.

Their paper presents two wage series for unskilled English women workers from 1260 to 1850. The first is based on daily wages, and the second is based on the remuneration per day implied in annual service contracts. These two series are compared and the series for women's daily wages is also compared with evidence for men, revealing interesting trends in the gender gap.

These comparisons inform several recent debates: first whether 'the golden age of the English peasantry' included women; and, second, whether protoindustrialization and early industrialization provided women with greater opportunities.

The authors' findings shed new light on females' roles during times of economic change, with wider implications for the

study of economic growth and well-being. For example, many historians have argued that the rise in wages that followed the Black Death enticed female servants to delay marriage so contributing to a European marriage pattern, a demographic regime believed to enable modern economic growth. However, the findings by Prof. Humphries and Prof. Weisdorf suggest that servants did not benefit much in the post-plague era and so offers little in support of a 'girl-powered' economic breakthrough in England.

In addition, historians have hypothesised that high wages in the 18th century explain the labour-saving technological changes which kick-started the industrial revolution, and that women shared in these high wages. Again, the new wage series findings suggest a less-rosy scenario with women who were unable to commit to full-time work losing ground relative to men and to their less-constrained peers; such women fell increasingly adrift from any high-wage economy.

### Danish Energy Dependence

'The Danish Agricultural Revolution in an Energy Perspective: A Case of Development with Few Domestic Energy Sources'

*Authors: Sofia Teives Henriques and Paul Sharp, both of the University of Southern Denmark. CAGE working paper, no. 217*

The authors examine the case of Denmark, a country which historically had almost no domestic energy resources. They present new historical energy accounts for the years 1800-1913. The paper shows that Denmark's take-off at the end of the 19th century was relatively energy dependent. Danish economic growth took the form of agricultural transformation through the dairy industry.

The paper's results complement the literature, which argues that expensive energy hindered industrialization; the authors suggest that similar obstacles would also have precluded other countries from a more agriculture-based growth.

The Danish cooperative creameries, which spread throughout the country over the last two decades of the 19th century, were dependent on coal. Although Denmark lacked significant domestic coal deposits, the country's geography allowed cheap availability of coal throughout the country through imports. The paper also emphasises that another important source of energy was imported feed for cattle.

otherwise, thereby raising the surplus left over for investment. This externality provides a reason for coercion over and above the direct productivity of those in custody.

Archival data now available document the extent to which Stalin's imprisonment threat was credible. However, the authors argue that the enormous scale of random imprisonment involved is attributable not to economic factors but to Stalin's insecurity in the absence of a legitimate process for succession.

### In the Shadow of the Gulag

'In the Shadow of the Gulag: worker discipline under Stalin'

*Authors: Marcus Miller and Jennifer C. Smith, CAGE associates and professors in the Economics Department at The University of Warwick. CAGE working paper no. 218*

Historians have long debated whether Stalin's widespread use of forced labour was productively efficient, and whether the forced labour camps of the Gulag generated a surplus that could be spent on accumulation or defence. This paper looks at the 'spillover' effects of the Gulag on the wider economy. Specifically, how did the existence of the Gulag and the threat of imprisonment in it affect the

productivity and work effort of workers outside the Gulag?

The authors reinterpret an efficiency-wage model developed for Western economies in the context of Stalin's Russia, with imprisonment – not unemployment – acting as a worker-discipline device. The threat of imprisonment allows the state to pay a lower wage outside the Gulag than

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