

Sokoloff - Engerman

Exogenous factors:

- Culture (Catholicism vs Protestant)
- Economic variables
 - factor endowment
 - climate

Traditional literature focuses on cultural effects. This article focuses on the effects of economic variables.

- economies of scale in sugar cane but not in wheat.
- economies of scale \Rightarrow concentration of land ownership \Rightarrow inequality \Rightarrow slower growth.
- slavery in sugar intensive areas

Why forced labor? ◦ Europeans would go to more temperate climates.

- difficult to run away on an island.
- how long would it take to acquire a workforce?

Spanish America

- Lots of available local labor to enslave
- The Spaniards were granted large land grants.

Temperate Zones: Argentina. Why doesn't Argentina look like, say, Canada?

- Fewer Europeans in Argentina
- Cattle in Argentina - increasing returns to scale?
- Encomienda policies led to increased inequality.

This paper mixes up endogenous and exogenous factors, but it has been immensely influential.

Frank: Paper on Brazil

◦ Does having an export economy make citizens worse off?

◦ Exports dealt with here: rubber, et. al.

◦ measured inequality using $\frac{wage_{skilled}}{wage_{unskilled}}$, where he

uses $wage_{skilled} = wage_{treasurer}$, $wage_{unskilled} = wage_{teacher}$

Two questions

◦ What does he find? "a rising tide lifts all boats." Booms in export industry do not increase inequality

◦ How does this paper interact with Sokoloff-Engerman?
 ◦ none of the people analyzed are landowners.
 ◦ Historical institutional factors influence the results.

Mexico Before 1982: Haber (sp?)

Group of people trying to stay in power.

- To promote order, gave away land. (kept peasants calm.) Gave leaders local political power
- Institution of ejido: the land is yours, but you cannot sell it. (limited property rights given to farmers.)
- not good for economic growth

In the cities, powerful unions arose. (very loyal to government.) Created urban stability

- How did they strengthen unions? Generous benefits and job security.
- imposed tariffs in increasing sequence to support the unions. also not good for growth.

How does the Mexican story fit with the Sokoloff-Engerman story?

- what were the conditions that led to the revolution?
- countries are set on a trajectory determined by original institutions.

The revolutions were of a different type. Why didn't Mexico get set on a better track?
 "Contests within the elite."