



PRIMCED Newsletter

No. 3 (March 2012)

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Message from the Project Leader

Takashi Kurosaki (Project Leader)

The second year of PRIMCED is coming to an end. The aim of PRIMCED is the synthesis of knowledge on poverty reduction, economic institutions, markets, and policies in the process of economic development by conducting microeconomic analyses of original microdata collected in contemporary developing countries and comparative historical analyses of economic development using both micro and macro data and by combining the two through quantitative empirical analyses with similar specifications for both contemporary and historical cases as well as through model building. Toward this goal, the second year's activities have been focused on two fronts: compiling original microdata and holding international research seminars/workshops.

Regarding the compilation of microdata, PRIMCED researchers have been conducting original field surveys in contemporary Asian and African countries and library research of existing historical documents and statistics that have not previously been used in quantitative analysis. Regarding the former, we conducted household and village surveys in places such as Zambia (resilience against rainfall-related risk; see the report by Kitsuki, Newsletter, No.1), Burkina Faso (panel survey of households dating back to the 1990s), India (weather risk and rural poverty; see the

report by Matsuda, this newsletter), and Pakistan (natural disasters, household vulnerability, and community-based development; see the report by Khan, Newsletter, No. 1). Regarding the latter, we compiled data concerning education enrollment in Thailand and the Philippines, prewar Japan farm account surveys, prewar Japan legal statistics, and so on. Okazaki's report in this newsletter presents the preliminary findings from his efforts in compiling a dataset on prewar Japan civil cases.

As reported in the second newsletter, we held our first international workshop on September 23–24, 2011. The workshop was jointly organized by the Department of Economics, the School of Oriental and African Studies, the University of London (SOAS), and was titled "Advancing Knowledge in Developing Economies and Development Economics: Towards the Understanding of Institutions in Development." It was attended by approximately 50 researchers. We also held several research seminars on topics concerning economic development, inviting speakers from both abroad and within Japan. Most of these seminars were held at the Centre for Economic Institutions, Hitotsubashi University.

As the project leader, I really appreciate your help during the second year of PRIMCED. We look forward to the research activities in the third year.

Report on Field Surveys and Data Compilation

The compilation of databases on economic development is one of the main objectives of PRIMCED. For this purpose, we are conducting field surveys in contemporary developing countries in Asia and Africa, as well as searching historical documents of pre-war Japan and in other Asian countries. To share the knowledge among PRIMCED researchers and general readers regarding field surveys and data compilation, Newsletter will provide reports on ongoing field surveys, essays on research topics related with such surveys or data compilation, anecdotes from fields or archives, and so on. The first issue of Newsletter provided reports on ongoing field surveys in Pakistan (Khan) and Zambia (Kitsuki). This issue provides an essay on historical database on pre-war Japan legal cases (Okazaki) and an anecdote from a field survey in India (Matsuda).

Report, No.3

Law and Economic History: A Historical Approach to Comparative Economic Development

Tetsuji Okazaki (Graduate School of Economics,
The University of Tokyo)

We can obtain significant insight from studying the present world because various countries and areas with different levels of economic development undergo constant and significant change. Development economists are engaged in these studies, which are the core of the PRIMCED project. On the other hand, by extending our scope into the historical past, we may gain insights that are not attainable by observing only the present world, especially as economic development is inherently a long-term phenomenon. In this sense, historical research is an important approach to understanding economic development.

Advanced countries like Japan have become wealthy because of their long history of economic growth. For instance, according to estimates by Angus Maddison, the per capita GDP of Japan in 1870 was 737 Geary–Khamis dollars at the 1990 constant prices. If we place Japan's per capita GDP in 1870 among 161 countries and areas in 2008, Japan's rank will be 150th, next to Tanzania and Malawi, implying that Japan has grown rich compared with the most underdeveloped countries in this period of more than 100 years. Interestingly, some countries have not grown rich over the same period. For example, the per capita GDP of Iraq is 1049 Geary–Khamis dollars at the 1990 constant prices in 2008 (rank 137), and it was 719 dollars in 1870, close to the per capita income of Japan in the same year. Why have the income levels of these two countries diverged so much since 1870?

This is an essential question for understanding economic development, and a satisfactory answer will only be obtained through historical research.

To this end, I have engaged in historical research on economic development, focusing on Japan as a part of the PRIMCED project. One of the topics I have worked on is the relationship between the legal system and economic development. The legal system in Japan dates back to *Taiho Ritsuryo* in the eighth century, but there was an important epoch in the late nineteenth century. After the Meiji Restoration in 1868, the Japanese government made great efforts to adopt the modern legal system of the West. By the 1890s, the law system was formed and included the Constitution, the Civil Codes, the Criminal Codes, the courts that implemented the laws, and the human capital that managed the laws.

Interestingly, the Japanese government's Ministry of Justice has published detailed legal statistics since the early period. The *Annual Report on Civil Case Statistics (Minji Tokei Nenpo)* and the *Annual Report on Criminal Case Statistics (Keiji Tokei Nenpo)* have been published since 1875. The data on civil cases are especially valuable for research on the history of economic development. Douglas North emphasized that the protection of property rights by the state provides the fundamental precondition for the development of a market economy. The Japanese people have actively used legal services for dispute resolution since the late nineteenth century. Figure 1 shows the number of civil cases, which exhibited an upward trend with countercyclical changes. These countercyclical changes imply that the number of defaults increased during depressions.

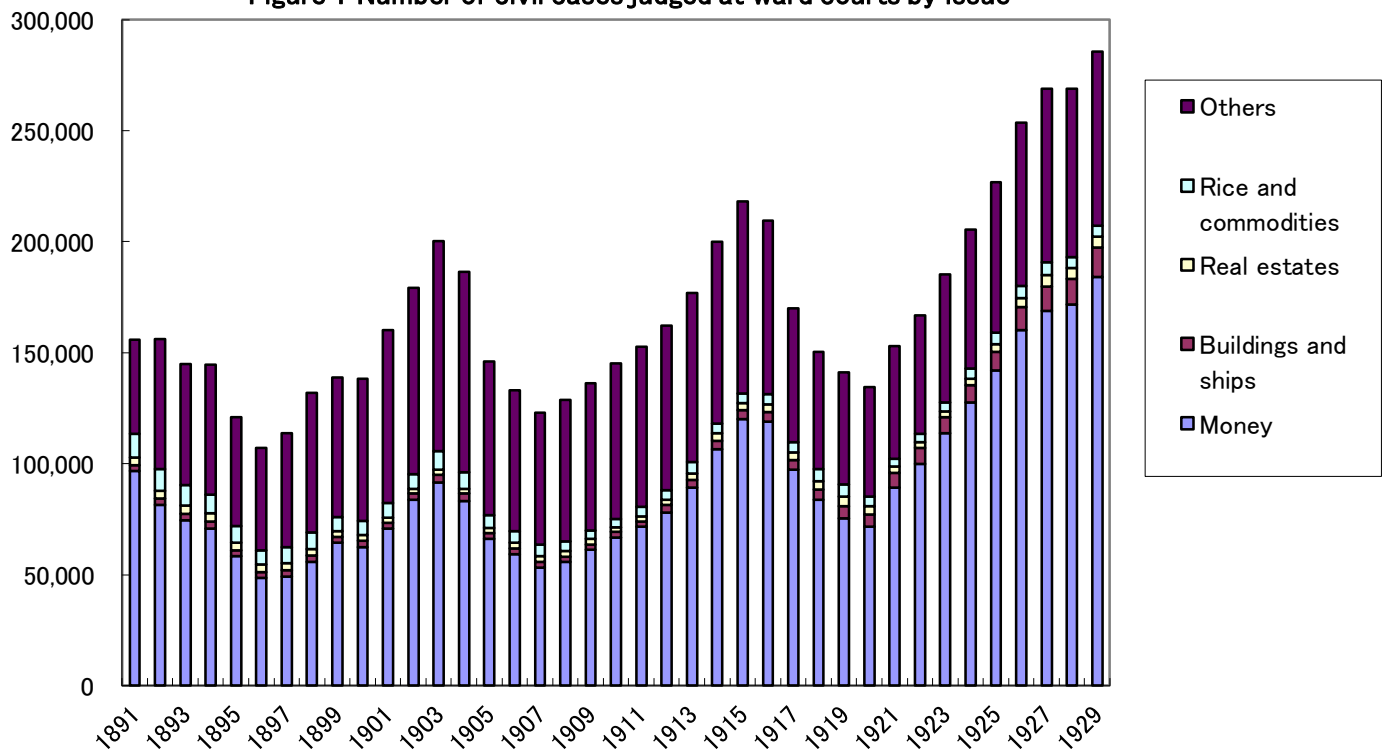
In this project, I have compiled prefecture-level panel data for the number of civil cases, number of

monetary cases, number of lawyers, time until judgments, and so on. The data points are 1895, 1900, 1905, 1910, 1915, 1920, and 1925. In addition, I have compiled panel data on economic and social variables such as population, urban population, and the number of factory workers to match legal data.

Using this data set, I have explored, along with Professor Masaki Nakabayashi of the Institute of Social Science at the University of Tokyo, how economic and social structure affected the demand for legal services and how the impact of accessibility to

legal services on economic development depended on social structures. We have found that urbanization, not industrialization and economic growth, increased the demand for monetary lawsuits. In addition, the inefficiency of the legal system impeded economic and industrial growth, depending on the level of urbanization. These findings suggest that community-based mechanisms for dispute resolution worked well in rural areas until they were superseded by formal legal systems as urbanization progressed and community ties weakened.

Figure 1 Number of civil cases judged at ward courts by issue



Source: Ministry of Justice, Annual Report on Civil Case Statistics, various issues.

Report, No. 4

Field Report on India

Ayako Matsuda (Ph. D. Candidate,
Department of Agricultural & Resource Economics,
University of California, Berkeley)

Since I visited India for the first time in 2008, I have been there once or twice every year. In the fiscal year of 2011, I have worked on a PRIMCED research project on the experimental analysis of weather index insurance in rural Madhya Pradesh. Last October, during my busy days conducting a field survey, I was

very fortunate to experience Diwali (or Deepavali). Diwali, called “the festival of lights” and held in fall and Holi, called “the festival of colors” and held in spring, are the biggest Hindu festivals. I was really looking forward to Diwali. I was told it would be a great experience. I was also told to bring ear plugs (you will see why). Though my host family was Jain, they celebrated Diwali in their own way.

The exact date of the festival varies every year according to the Hindu calendar, and this time, it was October 26, 2011. The atmosphere was similar to the New Year break in Japan or Christmas in the United States. Offices are closed a couple of days before Diwali. People go back to their homes to spend time

with their families. They are paid holiday bonuses before the break. (No wonder there are numerous sales advertisements in the newspapers.) They usually exchange gifts such as clothes and accessories with their families and give candies and nuts to their bosses.

Among myriads of Hindu gods and goddesses, people celebrate the goddess Laxmi during Diwali. She is a symbol of wealth and prosperity. Laxmi temples are gorgeously decorated with flowers and lights, and in these temples, mantras are read out very loudly throughout the day.



Laxmi Temple

Let me simply share my experience here. People were busy cleaning their houses and decorating their entrances during the day. At night, they lit oil lamps called *diyas*, small clay bowls filled with ghee and handmade cotton wick, to welcome the goddess Laxmi into their homes (which reminds me of a *mukae-bi* fire during the Bon Festival in Japan). Full of diyas, the night view was simply spectacular. After lighting up all of the rooms in their houses, they started their worship. As offerings to the goddess Laxmi, my host family gave coconut and rice as well as a new account book, wishing good fortune.



Women making a rangoli

Another interesting custom was the *rangoli*, a sand picture. In order to welcome the goddess Laxmi, girls and ladies make designs with colorful sand in front of their houses. Some people even spent half a day doing this. Rangoli is such an impressive art, and I was soon a big fan of it.

At around 7:00 p.m., people started to light firecrackers. Literally, it sounded like an explosion. It was such a thrilling experience to see people playing with fireworks, pinwheels, and firecrackers in the small narrows of such a densely populated area. Apparently, there were no safety rules such as keeping a bucket of water nearby. Even the earplugs did not help, and I finally went to sleep at 2:00 a.m. It was truly an exciting experience, which served as a refreshing change during my hectic days in India.



Diwali night

PRIMCED Discussion Paper Series (2011.11~2012.3)

- No. 15 (December 2011) Ken Miura, Hiromitsu Kanno, and Takeshi Sakurai, "Livestock Transactions as Coping Strategies in Zambia: New Evidence from High-Frequency Panel Data."
- No. 16 (December 2011) Yutaka Arimoto, Kentaro Nakajima, and Tetsuji Okazaki, "Stunting and Selection Effects of Famine: A Case Study of the Great Chinese Famine."
- No. 17 (September 2011) Yuko Mori and Takashi Kurosaki, "Does Political Reservation Affect Voting Behavior? Empirical Evidence from India."
- No. 18 (January 2012) Yasuyuki Sawada, Yuki Higuchi, Kei Kajisa, Nobuhiko Fuwa, Esther B. Marciano, and Jonna P. Estudillo, "The East Laguna Village: Four Decades of Studies in a Filipino Village."
- No. 19 (January 2012) Takashi Kurosaki and Kazuya Wada, "Spatial Patterns of Long-term Changes in South Asian Agriculture." (in Japanese)
- No. 20 (February 2012) Yoshihisa Godo, "A New Database on Education Stock in Taiwan."
- No. 21 (July 2011) Tetsuji Okazaki and Michiru Sawada, "Interbank Networks in Prewar Japan: Structure and Implications."
- No. 22 (October 2011) Tetsuji Okazaki, "What Did Corporate Executives, Outside Directors and Large Shareholders Really Do?: Corporate Governance of Tokyo Marine and Taisho Marine in Mitsubishi and Mitsui Zaibatsu." (in Japanese)



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