

The Macroeconomic Impact of the American Civil War

Joseph Davis and Marc Weidenmier

Discussion by Mark Carlson

The views expressed in this discussion are solely those of the discussant and should not be interpreted as reflecting views of the Board of Governors of the Federal Reserve System or its staff

This paper

What it does

- Constructs industrial production indexes for the Southern states and Northern states from 1840-1900
- Facilitates a comparison of these two sections of the country following the Civil War and Reconstruction
- Allows the authors to examine the extent to which these were watershed events in US history

Why it is important

- Understanding when there were accelerations in activity informs us about the policies or organizational developments that shaped industrialization.
- There are decided regional patterns to economic activity in the US and it is insightful to see the differences in their evolution, especially during this period of stark contrasts between the regions

Westward expansion

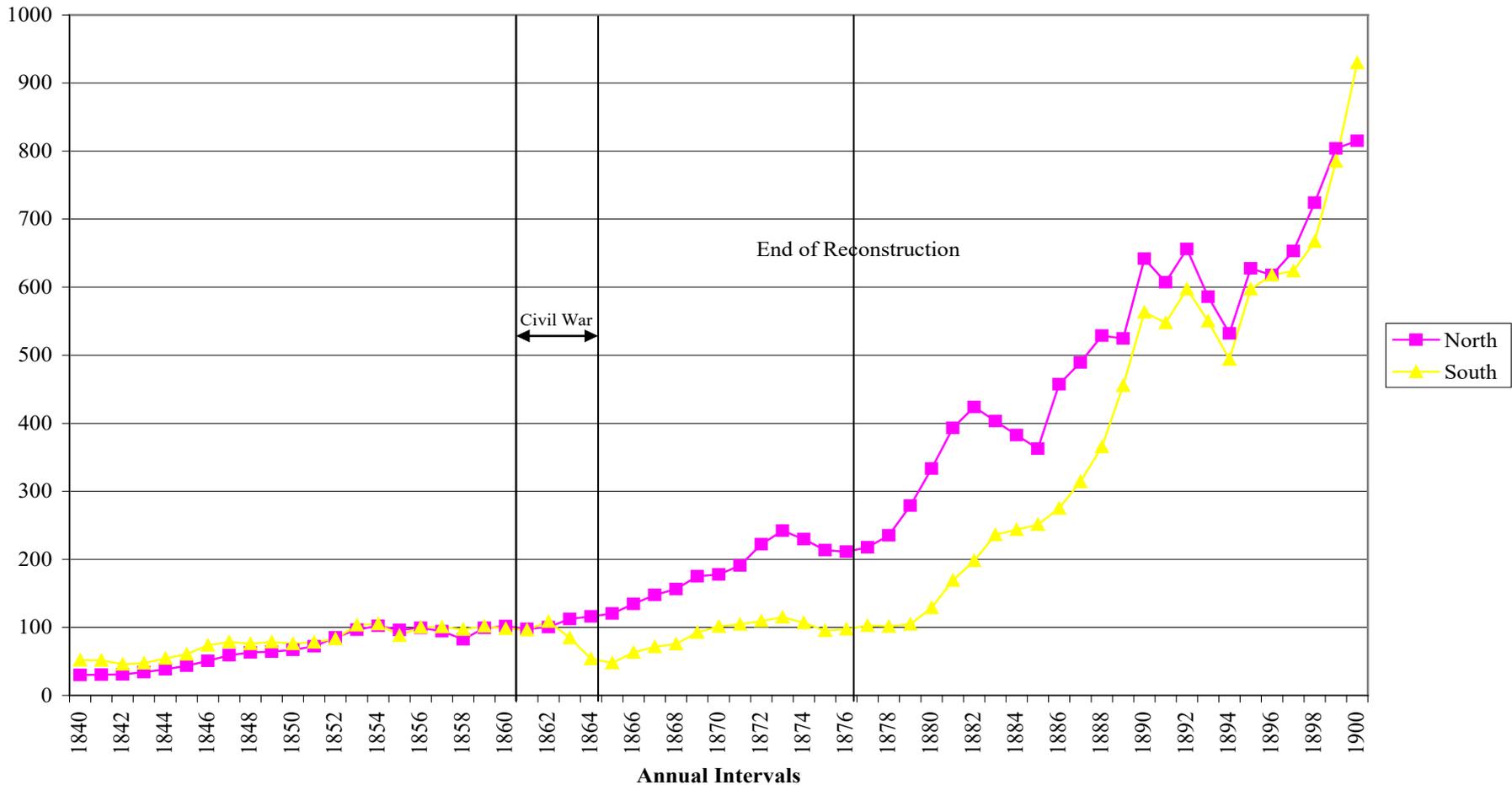
- What are the implications of westward expansion for measured activity?
 - Implications of acquisition of new territories (mostly in the late 1840s)?
 - Are some of the goods in the index more intrinsically associated with local production?
 - If so, does that affect the North—where there were more population shifts—more than the South.
 - In general, how does growth in industrial production relate to measures of westward expansion?

Southern Data

- What are the data sources that were used in the South during the war years?
- Any sense of the quality of the data in the first few years after the war?
- These matter if the precise timing of shifts is important (as in the structural break tests)

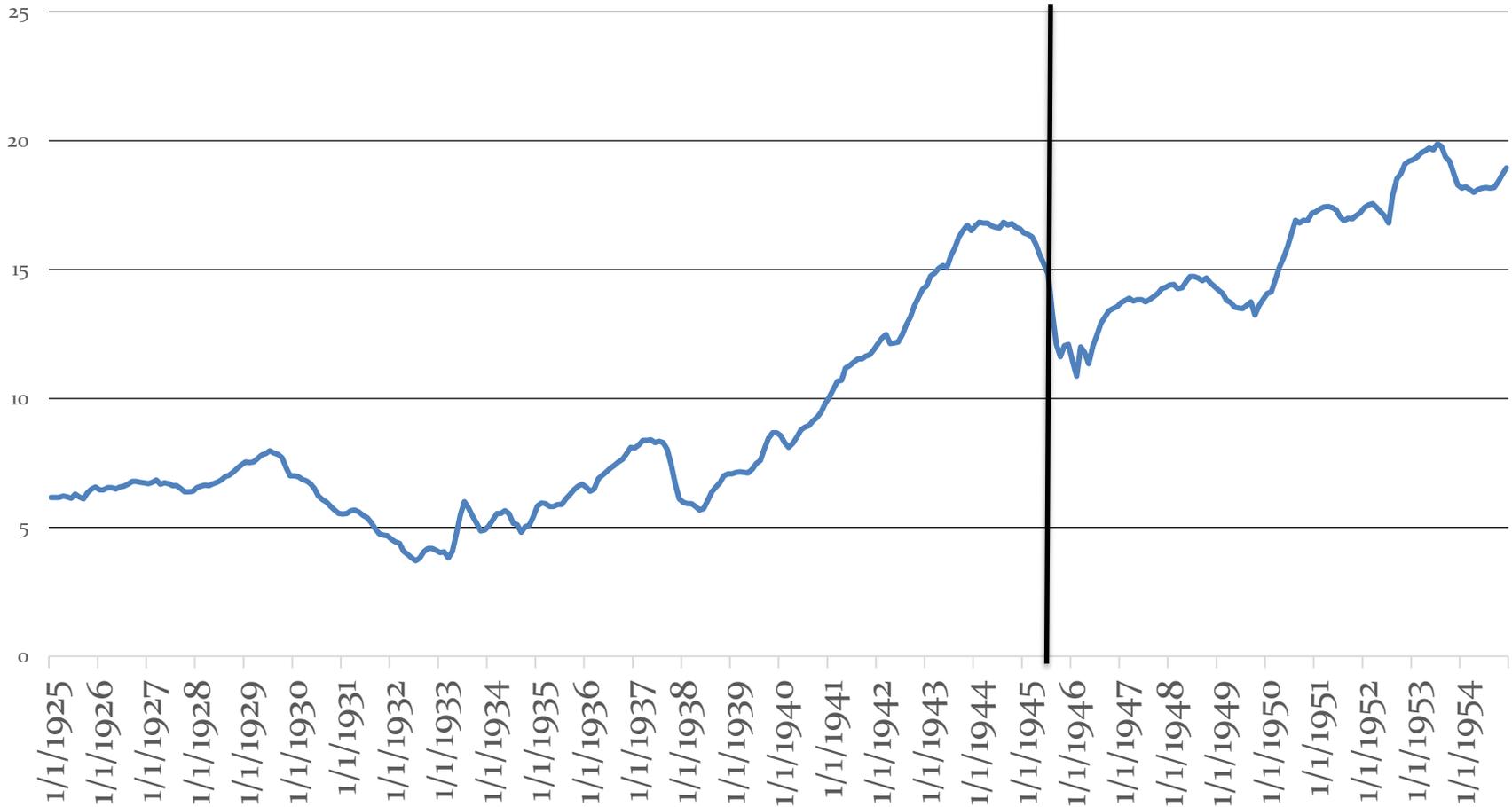
Striking that there is no postwar transition

Figure 1
Northern and Southern Industrial Production, 1840-1900
(1859/60=100)



Contrast to post World War II

(industrial production 1925-1954)



What about finance?

- Authors discuss “capital intensive” industries
- Also interesting to know more about “finance intensive” industries
 - The authors note that the banking sector in the South was hard hit by the war.
 - Moreover, the seasonal swings in banking activity were particularly pronounced with an intense need to borrow during the cotton harvest.
 - Not conducive to being able to provide long-term financial support.
 - Previous work has argued that banking markets matter (Rajan and Zingales (1998), Mitchener and Wheelock 2013). Do you see evidence of that here?