December, 2012

Odd Couple: International Trade and Labor Standards in History. By Michael Huberman. New Haven, CT: Yale University Press, 2012. Pp. xii, 237. $65.00, cloth.

Joshua L. Rosenbloom, *University of Kansas*

Book Reviews

ANCIENT TO MODERN EUROPE

Odd Couple: International Trade and Labor Standards in History. By Michael Huberman. New Haven, CT: Yale University Press, 2012. Pp. xii, 237. $65.00, cloth.

doi: 10.1017/S002205071200071X

The years between 1870 and 1914 constituted a first episode of globalization, characterized by rising levels of international trade and robust economic growth. They were also, at least in Europe, the time when important elements of the welfare state—insurance against the risks of unemployment, sickness, industrial accidents, and old age—as well as labor protections—such as factory inspection and limits on the hours of work of women and children—were first introduced.

At first blush, the coincidence of increased international openness and the adoption of these protections, which Michael Huberman terms the "labor compact," is puzzling. More recently, the international competition to which globalization gives rise has come to be seen as a potent force eroding labor standards and the quality of life. In this volume, Huberman offers a largely convincing explanation of the simultaneous expansion of trade and adoption of the labor compact while providing a rich and intriguing account of the operation of labor markets in the late nineteenth and early twentieth centuries.

After an introductory chapter that lays out the basic argument and previews the rest of the book, the core of the volume is organized in two parts: the first (Chapters 2–4) traces the linkages from globalization to the labor compact, while the second (Chapters 5–7) examines the channels through which adoption of the labor compact promoted increased openness and trade. In a final chapter the author extends the discussion to draw out parallels and differences between pre-World War I and post-World War II episodes of globalization.

Huberman argues that, for workers, industrialization and globalization greatly increased uncertainty relative to an earlier more agrarian era, and that these changes created a demand for social insurance and other protections. This argument is not new, but Huberman couples it with the more novel observation that within Europe bilateral trading partners pressured each other in ways that encouraged regulatory convergence upward. Countries that had adopted protective legislation pressured laggard trade partners to follow suit and adopt similar laws. Although social insurance and limits on hours raised labor costs, European countries that concentrated on the export of differentiated, manufactured goods could pass much of the increased labor cost on to consumers in other countries. As a result, employers' opposition was muted, and the labor compact spread.

In North and South America, however, a different logic operated. Here, the primary exports were undifferentiated agricultural commodities and natural resources, which were traded in competitive markets. Facing highly elastic demand producers could not easily raise prices to pass on increased labor costs. Consequently, the labor compact made far less progress in the New World than in the Old World.

At the same time that globalization encouraged the spread of the labor compact, Huberman argues that the labor compact also helped to encourage globalization. Within Europe, increased labor costs associated with the labor compact encouraged employers to substitute capital for labor, and to invest in other improvements in the production process. Thus rising labor costs gave rise to a virtuous circle that supported the emergence of a high wage economy. These same forces also operated to reduce

inequality within Old World countries. In the labor-scarce and resource-abundant New World, however, globalization produced very different results. Labor protections were limited and inequality tended to rise. One implication is that differences in hours of work and labor market institutions between Europe and the Americas that have attracted attention in recent decades are actually of much longer standing, though the economic distortions of the Great Depression have obscured their historical roots.

This is a wide-ranging and ambitious book. The complex nature of economic regulation makes comparisons across time and space difficult; to conduct this analysis for a large sample of countries is especially challenging. Huberman marshals a broad range of evidence, both qualitative and quantitative, often in novel and creative to make his points. While I found the argument overall persuasive, the statistical evidence is frequently more suggestive than conclusive. The skeptical reader will find a number of points where the conclusions drawn from a particular set of results seem to overreach. Yet the combined effect of all the evidence is more compelling than any single statistical analysis. What emerges is a nuanced and enlightening account of an important period in the emergence of modern labor market institutions.

JOSHUA L. ROSENBLOOM, *University of Kansas and NBER*

"I Am Not Master of Events:" The Speculations of John Law and Lord Londonderry in the Mississippi and South Sea Bubbles. By Larry Neal. New Haven, CT: Yale University Press, 2012. Pp. 232. $50.00, cloth.
doi: 10.1017/S0022050712000721

This is an intriguing book involving a very famous diamond and a massive derivative style transaction set against the backdrop of the world's first stock market booms and collapses those of the Mississippi System and the South Sea Bubble. It is centered on two larger than life characters. The first is Thomas Pitt Junior, Lord Londonderry (henceforth Londonderry), who at various stages of his life was a stockjobber, a military commander, a Whig MP, a considerable estate owner in England, Ireland, and the West Indies, and, finally, governor of the Leeward Islands. The second is John Law, the architect of the Mississippi System, who briefly became prime minister of France in 1720 notwithstanding the fact that he had been sentenced to death earlier in London for killing a man in a duel. There is a wide cast of secondary characters including Londonderry's father, Governor Pitt, who had been governor of Madras, the powerful James Stanhope, a brother-in-law of Londonderry, Joseph Edward Gage, one of the biggest Mississippi speculators (alongside his partner, Lady Mary Herbert), George Middleton who was John Law's banker in London, and a retinue of courtiers and politicians always on the lookout for ways of improving their station in life. For a period, both the Mississippi System and the South Sea Bubble, which developed because of the earlier success of the Mississippi Company, appeared to provide a new source of wealth for the eager crowds that bought and sold shares in the rue Quincampoix in Paris or in Exchange Alley in London.

The diamond was no ordinary diamond. It would later be a prominent part of Marie Antoinette's jewelry and still later, Napoleon had it placed in the hilt of his sword for his self-enthronement as Emperor of France in December 1804. Governor Pitt purchased it in India for £22,000 in 1702 when the diamond weighed 426 carats (0.188 pounds). It was cut down to a flawless "classic solitaire" of 140.5 carats and Pitt attempted to sell it for £210,750 to Queen Anne and later George I, both of whom decided not to purchase it. Lord Londonderry brought it to France and successfully