International History

Academic year 2019-2020

International Finance in History

HI108 - Autumn - 6 ECTS

Monday 14h15 - 16h00

Course Description

How did arms-length financial markets emerge, cross borders, and eventually become responsible for regulating the international allocation of capital? Did they contribute to rapid economic growth since the 1800s, or have financial crises had significant costs for the real economy? What was the relation between business cycles and financial volatility? How did national authorities react to the rising trend of economic globalization? The focus of this course will lie on the interaction between financial markets, institutions, and the real economy over time. The role of the interwar and the Great Depression, in particular, in shaping the modern world order will also be considered. The material will join macroeconomic history to micro analysis of financial markets and policy.

PROFESSOR

Rui Pedro Esteves

Office hours

ASSISTANT

Frank Afari

Office hours

Syllabus

Assessment

- Class participation 20%
- Midterm 30%
- Final Exam/ Essay 50%

The assessment of this course is composed of three elements – in-class participation, a compulsory midterm halfway through the course and a final exam, which can be replaced by an essay (up to 15 pages) to be handed in at the end of the semester. Both the midterm and final are closed-book. For the essay, you can either submit a first draft of a new research paper or you can prepare a literature review on one of the topics covered in the course. In both cases you should check with me first about the topic, and I will be happy to provide guidance throughout the semester. There are a number of deadlines if you choose to write an essay, as follows:

> 4 November – deadline to opt out of the final exam. You must hand in a title and a one-page abstract of your idea for the essay.

11 November – deadline to hand in a preliminary review of relevant literature (if you choose to write a research paper) or a list of the references you will be writing your literature review.
16 November 16:00: deadline to hand in the paper electronically by emailing it to me and the course TA.

Students without any background in economics or economic history are welcome to join the course but are advised to speak to me or the TA first to see how this course fits with your research interests.

1. Introductory Session (23/9)

- Topic and Methods
- Organization
- Students' background and goals
- Course's goals

2. International Finance 'Before Globalization' (30/9)

Esteves, Rui and Pilar Nogués-Marco "Monetary Systems and The Global Balance-of-Payments Adjustement In the Pre-Gold Standard Period, 1700-1870", forthcoming in Stephen Broadberry and Kyoji Fukao, eds., *The Cambridge Economic History of the Modern World*, Cambridge: CUP.
Neal, Larry (2015) *A Concise History of International Finance*, Cambridge: CUP, chapters 4 and 6.

3. Capital Markets in the 19th Century (7/10)

Flandreau, Marc and Juan Flores (2009) "Bonds and Brands: Foundations of Sovereign Debt Markets, 1820–1830" *Journal of Economic History* 69(3): 648-84.
Obstfeld, Maurice and Alan Taylor (2003) "Globalization and Capital Markets" in Michael Bordo, Alan Taylor and Jeffrey Williamson, eds., *Globalization in Historical Perspective*, Chicago: UCP for the NBER, pp. 121-87.

4. Financial Imperialism (14/10)

Accominotti, Olivier, Marc Flandreau and Riad Rezzik (2011) "The Spread of Empire: Clio and the Measurement of Colonial Borrowing Costs," *Economic History Review*, 64 (2): 385-407.
Cain, P. and A. Hopkins (1987) "Gentlemanly Capitalism and British Expansion Overseas II: New Imperialism, 1850-1945" *Economic History Review* 40(1): 1-26.
Mitchener, Kris and Marc Weidenmier (2005) "Empire, Public Goods, and The Roosevelt Corollary," *Journal of Economic History*, 65(3): 658-692.

5. Commodity Monies in Competition (21/10)

Flandreau, Marc (1996) "The French Crime of 1873: An Essay on the Emergence of the International Gold Standard, 1870-1880," *Journal of Economic History*, 56: 862-97.
Gallarotti, Giulio (1995) *The Anatomy of An International Monetary Regime: The Classical Gold Standard, 1880-1914*, New York/ Oxford: OUP, chapter 6.
Flandreau, Marc and Mathilde Maurel (2005), "Monetary Union, Trade Integration, and Business Cycles in 19th Century Europe," *Open Economies Review* 16: 135-152.

6. The Remarkable Stability of the Gold Standard (28/10)

Eichengreen, Barry (2008) *Globalizing Capital: A History of the International Monetary System*, Princeton: PUP, chapter 2.
Flandreau, Marc Jacques Le Cacheux and Frédéric Zumer (1998) "Stability Without a Pact? Lessons from the European Gold Standard, 1880-1914," *Economic Policy*, 13 (26): 115-62.

Catão, Luís and Solomos Solomou (2005) “Effective Exchange Rates and the Classical Gold Standard Adjustment,” *American Economic Review*, 95(4): 1259-75.

7. In-class Midterm (4/11)

8. From Great War to Great Depression (11/11)

Accominotti, Olivier and Barry Eichengreen (2016), “The Mother of All Sudden Stops: Capital Flows and Reversals in Europe, 1919-32,” *Economic History Review* 69: 469-92.

Eichengreen, Barry (2008) *Globalizing Capital: A History of the International Monetary System*, Princeton: PUP, chapter 3.

Wolf, Nikolaus (2010) “Europe’s Great Depression: coordination failure after the First World War,” *Oxford Review of Economic Policy* 26 (3): 339-69.

9. The Great Depression as a Watershed (18/11)

Crafts, Nicholas and Peter Fearon (2010) “Lessons from the 1930s Great Depression,” *Oxford Review of Economic Policy* 26 (3): 285-317.

Eichengreen, Barry (2012) “Economic History and Economic Policy” *Journal of Economic History* 72 (2): 289-307.

Romer, Christina (1992) ”What Ended the Great Depression?” *Journal of Economic History* 52: 757-784.

10. Shifting Hegemons (25/11)

Eichengreen, Barry, Arnaud Mehl and Livia Chitu (2018) *How Global Currencies Work: Past, Present and Future*, Princeton: PUP, chapters 6-8.

Eichengreen, Barry (2008) *Globalizing Capital: A History of the International Monetary System*, Princeton: PUP, chapter 4.

11. Financial Regulation: The Fox in the Henhouse? (2/12)

Calomiris, Charles and Steven Haber (2014) *Fragile by Design: The Political Origins of Banking Crises and Scarce Credit*, Princeton: PUP, chapters 1-2, pp. 3-59.

Esteves, Rui (2012) “The Political Economy of Global Financial Liberalization in Historical Perspective” in Gerard Caprio, ed. *The history and growth of key markets, institutions and infrastructure*, Academic Press, pp. 133-150.

White, Eugene (1998) "The Legacy of Deposit Insurance: The Growth, Spread and Cost of Insuring Financial Intermediaries," in Michael Bordo, Claudia Goldin, and Eugene White, eds., *The Defining Moment: The Great Depression and the American Economy in the Twentieth Century*, Chicago: CUP, pp. 87-124.

12. Financial Crises (9/12)

Bordo, Michael, Barry Eichengreen, Daniela Klingebiel and Soledad Martinez-Peria (2001), “Is the Crisis Problem Growing More Severe?” *Economic Policy* 16: 51-82.

Flandreau, Marc, Juan Flores, Clemens Jobst and David Khoudour-Castéras (2010) “Business Cycles 1870-1914” in Stephen Broadberry and Kevin O’Rourke, eds., *The Cambridge Economic History of Modern Europe*, Cambridge: CUP, Vol 2, pp. 84-107.

Schularick, Moritz and Alan Taylor (2012) "Credit Booms Gone Bust: Monetary Policy, Leverage Cycles, and Financial Crises, 1870-2008*," American Economic Review* 102(2): 1029-61.

13. In-class Final (16/12)