THE GRADUATE INSTITUTE GENEVA

INSTITUT DE HAUTES ÉTUDES INTERNATIONALES ET DU DÉVELOPPEMENT
GRADUATE INSTITUTE OF INTERNATIONAL AND DEVELOPMENT STUDIES

## International History

Academic year 2018-2019

## International Finance in History

**HI108 - Autumn - 6 ECTS**

## 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 joins macroeconomic history, the history of financial markets and policy.


### PROFESSOR

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# Syllabus

**Assessment**

- Class participation 20%
- Final Exam 80%

**1. Introductory Session**

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

**Background reading** *before the start of classes*: Eichengreen, Barry (2008) *Globalizing Capital: A History of the International Monetary System*, Princeton: PUP, chapters 2 and 3.

**2. International Finance 'Before Globalization'**

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**

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**

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.
Chabot, Ben and Charles Kurz (2010) "That's Where The Money Was: Foreign Bias and English Investment Abroad, 1866–1907," *Economic Journal*, 120(547): 1056-79.
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**

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**

Bordo, Michael and Marc Flandreau (2003) "Core, Periphery, Exchange Rate Regimes, and Globalization" in Michael Bordo, Alan Taylor and Jeffrey Williamson, eds., *Globalization in Historical Perspective*, Chicago: UCP for the NBER, pp. 417-72.
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. No class – Reading Week**

**8. From Great War to Great Depression**

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 (1992) *Golden Fetters. The Gold Standard and the Great Depression 1919-1939*, Oxford: OUP, chapters 8-9.
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**

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**

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?**

Calomiris, Charles (2005) “Capital Flows, Financial Crises, and Public Policy” in M. Weinstein, ed. *Globalization: What’s New?*, New York: Columbia University Press, pp. 37-76.
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**

Bordo, Michael, Barry Eichengreen, Daniela Klingebiel and Soledad Martinez-Peria (2001), “Is the Crisis Problem Growing More Severe?” *Economic Policy* 16: 51-82.
Bordo, Michael, Alberto Cavallo and Christopher Meissner (2010) "Sudden stops: Determinants and output effects in the first era of globalization, 1880-1913," *Journal of Development Economics*, 91(2): 227-241.
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. Finance and Growth**

Bordo, Michael and Christopher Meissner (2010) “Foreign Capital and Economic Growth in the First Era of Globalization,” *European Review of Economic History* 15(1): 61-91.
Fohlin, Caroline (2012) *Mobilizing Money. How the World’s Richest Nations Financed Industrial Growth*, Cambridge: CUP, chapters 6-8.
Giedeman, Daniel and Ryan Compton (2018) “Steam Engines of Credit: The Role of Banks in Switzerland’s Economic Development, 1950-1913,” *Essays in Economic & Business History* 36(1): 121-58.
Schularick, Moritz and Thomas Steger (2010) “Financial Integration, Investment, and Economic Growth: Evidence from Two Eras of Financial Globalization” *Review of Economics and Statistics*, 92(4): 756-68.

**14. Course Wrap up**