

International History

Academic year 2020-2021

The Streets of Finance: Markets and Regulation

HI109 - Spring - 6 ECTS

Wednesday 12h15 - 14h00

Course Description

How did the major markets for financial assets emerge, develop and internationalize? Why are these markets frequently geographically concentrated? How relevant were differences in infrastructure, institutions, and regulation for their success? What explains the ebbs and flows of financial regulation? Financial markets have been key actors of globalization and have had a strong influence on international relations. This course focuses on the interaction between the functions and actors in financial markets and their outcome, as mediated by the regulatory framework. In pursuing the history of financial markets, we will concentrate on the several "financial revolutions" from the emergence of organized stock exchanges in the 17th century to Dodd-Frank and other drives toward stricter regulation of financial transactions since the 2008 crisis.

> PROFESSOR

[Rui Pedro Esteves](#)

[Office hours](#)

> ASSISTANT

David Motzafi-Haller

[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. 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:

14 April – 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.

21 April – 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 on.

2 June, 12pm: deadline to hand in the essay electronically through the moodle site of the course.

Notes

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.

Students are expected to be aware of the plagiarism guidelines in force at the Graduate Institute, which may be consulted from <https://moodle.graduateinstitute.ch/mod/resource/view.php?id=76077>
Your written work (essay) will be screened through an automatic plagiarism detecting software.

1. Introductory Session (24/02)

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

2. The Origins of Capital Markets (03/03)

Michie, Randal (2006) *The Global Securities Market: A History*, Oxford: OUP, chapter 1, pp. 17-37.

Neal, Larry (1990) *The Rise of Financial Capitalism. International Capital Markets in the Age of Reason*, Cambridge: CUP, chapters 2-3, pp. 20-61.

3. The Rise of Global Markets in the 19th Century (10/03)

Neal, Larry (2016) *A Concise History of International Finance. From Babylon to Bernanke*, Cambridge: CUP, chapter 6, pp. 100-133.

Neal, Larry (2018) "The Role of Stock Exchanges in Financial Globalization: A Historical Perspective" in David Chambers and Elroy Dimson, eds., *Financial Market History Reflections on The Past For Investors Today*, pp. 99-114.

4. Stock Markets – Microstructure and Regulation (17/03)

Campbell, Gareth and John Turner (2011) "Substitutes for Legal Protection: Corporate Governance and Dividends in Victorian Britain," *Economic History Review* 64(2): 571-597.

Hannah, Leslie (2018) "Trust and Regulation in Corporate Capital Markets before 1914" in Youssef Cassis and Giuseppe Telesca, eds., *Financial Elites and European Banking: Historical Perspectives*, Oxford: OUP, pp. 135-157.

5. Credit Regulation (24/03)

Benmelech, Efraim and Tobias Moskowitz (2010) "The Political Economy of Financial Regulation: Evidence from U.S. State Usury Laws in the 19th Century," *The Journal of Finance* LXV(3): 1029-73.

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.

6. Banks in the US vs. Mexico (31/03)

Calomiris, Charles and Steven Haber (2014) *Fragile by Design: The Political Origins of Banking Crises and Scarce Credit*, Princeton: PUP, chapters 6 and 10.

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.

7. No Class – Easter Break (07/04)

8. Midterm (14/04)

9. Access to Information (21/04)

Coffee, John C. (2004) "What Caused Enron? A Capsule Social and Economic History of the 1990s," *Cornell Law Review* 269: 269-309

Flandreau, Marc and Gabriel Mesevage (2014) "The Opaque Origins of the Business of Transparency: Mercantile Agencies, the Law and the Lawyers (1851-1916)," *Enterprise & Society* 15(2): 213-51.

10. Positive Theories of Financial Regulation (28/04)

Coffee, John (2012) "The Political Economy of Dodd-Frank: Why Financial Reform Tends to Be Frustrated And Systemic Risk Perpetuated," *Cornell Law Review*, 97: 101-59.

Rajan, Ragu and Luigi Zingales (2003) "The great reversals: the politics of financial development in the twentieth century," *Journal of Financial Economics* 69: 5-50.

11. The Forces of Agglomeration (05/05)

Eichengreen, Barry, Romain Lagardette and Arnaud Mehl (2016) "Cables, Sharks and Servers: Technology and the Geography of the Foreign Exchange Market," NBER Working Paper #21884.

Wenzlhuemer, Roland (2013) *Connecting the Nineteenth-Century World: The Telegraph and Globalization*, Cambridge: CUP, chapters 2 and 6.

12. Is Financial Innovation a Good Thing? (12/05)

Greenbaum, Stuart, Anjan Thakor and Arnoud Boot (2015) *Contemporary Financial Intermediation*, 3rd ed., Elsevier, chapter 17, pp. 429-440.

Tufano, Peter (1995) "Securities Innovations: A Historical and Functional Perspective," *Journal of Applied Corporate Finance*, 7 (Winter): 90-103.

13. The Multilateral Dimension: Suasion vs. Emulation (19/05)

Pauly, Louis (2003) "New Therapies from Contemporary Money Doctors: The Evolution of Structural Conditionality in the Bretton Woods Institutions" in Marc Flandreau, ed., *Money Doctors. The Experience of International Financial Advising 1850-2000*, London: Routledge, pp. 276-305.

Simmons, B., and Z. Elkins (2004) "The Globalization of Liberalization: Policy Diffusion in the International Political Economy," *American Political Science Review* 98(1): 171–89.

14. Reading Week (26/05)

15. Final (02/06)