

Master in Social Sciences

Topics in Global Economic History

(325-17111)

Spring Term 2020-21

Schedule: Tuesday, 10:00 am–1:00 pm

Room: 18.1.A01

Instructor: Stefano Battilossi (battilos@clio.uc3m.es)

Office Hours: Tuesday, 1:00-2:00 pm, Room 18.2.D.07

OVERVIEW

The course focuses on the ebbs and flows of financial globalization in the last two centuries. The recent wave of globalization stimulated a large body of scholarly research on its direct historical antecedent – the so-called First Globalization that unfolded since the mid-19th century and was brought to an end by the Great Depression of the 1930s. The course gives students the opportunity to discuss selected findings of this extensive literature in economic and financial history. At the same time, it draws on perspectives from other disciplines (history, economics and political sciences) to shed light on the political economy of global finance. Key issues include the historical evolution of the international financial architecture; sovereign borrowing and defaults; financial imperialism; financial crises; the role of international currencies; the role of the State in financial systems; the re-emergence of global finance. The course deals also with relevant methodological issues such as the relationship between theory and historical analysis, the construction and use of historical datasets, and the selection of appropriate empirical approaches. For their seminar papers, students have the opportunity to work on a wider set of historical topics, including international trade, the integration of goods markets, the cause and consequences of mass migrations, or trade and immigration policies. A comparative approach to similarities and differences between the two waves of globalization is an essential component of the course.

COURSE REQUIREMENTS AND GRADING

The course follows a seminar format. Each week students are required to read at least two of the readings included in the session's list and contribute actively to the discussion in class with questions and comments. They will also write a seminar paper on a topic of their choice, to be handed in at the end of the course. Some weekly sessions will be devoted to presentations by students of a selection of readings related to their seminar paper. In the last session, students will present and discuss their full seminar paper in class.

Grading is based on:

- active participation in class discussions 20%
- student presentations 30%
- seminar paper 50%

The seminar paper should not exceed 4,000 words. It can be either a first outline of a new research paper, or a literature review. Students can dig deeper on one of the topics dealt with in the weekly sessions, or select one of the topics suggested at the end of the syllabus. However, they can also propose a different topic of their interest, always related to the research area of global economic history. In any case, the topic of the paper should be discussed with, and approved by the instructor, who will also provide guidance on data, sources and relevant literature.

READING LISTS

Background readings

The volumes listed below are not required readings but provide background information, analytical insights and research overviews that are useful in order to put the papers discussed in the weekly sessions in a richer historical context. Students are warmly encouraged to explore some of them as a complement to their weekly readings and/or a source of inspiration for their seminar paper. Library locations are reported when available.

- Bordo MD, Eichengreen B (1993) eds. *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform* (University of Chicago Press and NBER) [Chapters can be downloaded from <https://www.nber.org/books-and-chapters/retrospective-bretton-woods-system-lessons-international-monetary-reform>]
- Bordo MD, Taylor AM, J. Williamson JG (2005) eds. *Globalization in Historical Perspective* (University of Chicago Press and NBER) [Bib. Sótano -1. F.Especializado D 339.922\(063\) GLO](#)
- Bryant RC (1987) *International Financial Intermediation* (The Brookings Institution)
- Cassis Y (2006) *Capitals of Capital: A History of International Financial Centers 1780-2005* (Cambridge University Press)
- Cassis Y (2011) *Crises and Opportunities: The Shaping of Modern Finance* (Oxford University Press) [Bib. Planta 1ª. Ceacs HB 3722 .C375 2013](#)
- Devlin R (1989) *Debt and Crisis in Latin America. The Supply Side of the Story* (Princeton University Press)
- Eichengreen B (2008) *Globalizing Capital. A History of the International Monetary System* (Princeton University Press, 2nd ed.) [Bib. Planta 2ª. Sala S 339.7\(09\) EIC](#)
- Eichengreen B (2015) *Hall of Mirrors: The Great Depression, The Great Recession, and the Uses-and Misuses-of History* (Oxford University Press) [Bib. Sótano -1. F.Especializado D 338.054 EIC](#)
- Eichengreen B (2011) *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System* (Oxford University Press) [Bib. Sótano -1. F.Especializado D 336.741 EIC](#)
- Findlay R, O'Rourke K (2007) *Power and Plenty: Trade, War, and the World Economy in the Second Millennium* (Princeton University Press) [Bib. Sótano -1. F.Especializado D 338.1 FIN](#)
- Flandreau M (2003) ed. *Money Doctors: The Experience of International Financial Advising 1850-2000* (Routledge) [Bib. Sótano -1. F.Especializado D 339.7\(09\) MON](#)
- James H (1996) *International Monetary Cooperation since Bretton Woods* (Princeton University Press) [Bib. Planta 1ª. Ceacs HG 297.E53 95 or HG 3881 .J33 96](#)
- James H (2002), *The End of Globalization. Lessons from the Great Depression* (Harvard University Press) [Bib. Planta 2ª. Sala S 339.926 JAM](#)

- Hatton TJ, Williamson JG (2008) *Global Migration and the World Economy. Two Centuries of Policy and Performance* (MIT Press) [Bib. Sótano -1. F.Especializado D 314.7\(09\) HAT](#) or [Planta 1ª. Ceacs JV 6217 .H38 2005](#)
- Helleiner E (1994) *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s* (Cornell University Press) [Bib. Planta 1ª. Ceacs HG 881 .H418 94](#)
- Irwin D (2012) *Trade Policy Disasters: Lessons from the 1930s* (MIT Press) [Bib. Sótano -1. F.Especializado D 339.5.012.435 IRW](#)
- Marichal C (2000) *A Century of Debt Crises in Latin America. From Independence to the Great Depression 1820-1930* (Princeton University Press) [Bib. Sótano -1. F.Especializado D 339.72.053.1\(09\) MAR](#)
- Marston RC (1995) *International Financial Integration* (Cambridge University Press)
- Obstfeld M, Taylor AM (2006) *Global Capital Markets: Integration, Crises and Growth* (Cambridge University Press)
- O'Rourke K, J. Williamson JG (2001) eds. *Globalization and History* (MIT Press) [Bib. Planta 2ª. Sala S 339.926 ORO](#)
- Rosenberg ES (2003) *Financial Missionaries to the World. The Politics and Culture of Dollar Diplomacy* (Duke University Press)
- Tomz M (2007) *Reputation and International Cooperation: Sovereign Debt Across Three Centuries* (Princeton University Press)

Weekly readings

Students are required to read at least two readings of their choice for each session. All readings are available on Aula Global.

Session 1 (February 2)

Capital flows

- Clemens MA, Williamson JG (2004) Wealth bias in the first global capital market boom 1870-1913. *The Economic Journal* 114: 304-337
- Goetzmann WN, Ukhov AD (2006) British investment overseas 1870-1913: a modern portfolio theory approach. *Review of Finance* 10: 261-300
- Schularick M (2006) A tale of two globalizations: capital flows from rich to poor in two eras of global finance. *International Journal of Finance and Economics* 11: 339-354
- Taylor AM, Wilson JLF (2011) International trade and finance: complementarities in the United Kingdom 1870-1913 and the United States 1920-1930. *Journal of International Money and Finance* 30: 268-288.

Session 2 (February 9)

Credibility

- Esteves RP, Tuncer AC (2016) Feeling the blues: moral hazard and debt dilution in Eurobonds before 1914. *Journal of International Money and Finance* 65: 46-68
- Ferguson N, Schularick M (2012) The 'thin film of gold': monetary rules and policy credibility. *European Review of Economic History* 16(4): 384-407
- Flandreau M, Zumer F (2004) *The Making of Global Finance 1880-1913* (OECD, Paris).
- Obstfeld M, Taylor AM (2003) Risk, credibility and the Gold Standard 1870-1913 versus 1925-31. *The Economic Journal* 113(487): 241-275

Session 3 (February 16)

Gatekeepers

- Flandreau M, Flores JH (2012a) Bondholders versus bond-sellers? Investment banks and conditional lending in the London market for foreign government debt 1815-1913. *European Review of Economic History* 16: 356-383
- Flandreau M, Flores JH (2012b) The peaceful conspiracy: bond markets and international relations during the Pax Britannica. *International Organization* 66(2): 211-241

- Flandreau M, Flores JH, Gaillard N, Nieto-Parra S (2009) The end of gatekeeping: underwriters and the quality of sovereign bond markets 1815-2007. *NBER International Seminar on Macroeconomics* 6(1): 53-92
- Flandreau M, Gaillard N, Packer F (2011) To err is human: US rating agencies and the interwar foreign government debt crisis. *European Review of Economic History* 15: 495-538

Session 4 (February 23)

Financial imperialism

- Accominotti O, Flandreau M, Rezzik R (2011) The spread of empire: Clio and the measurement of colonial borrowing costs. *The Economic History Review* 64(2): 385-407
- Accominotti O, Flandreau M, Rezzik R, Zumer F (2010) Black man's burden, white man's welfare: control, devolution and development in the British Empire 1880-1914. *European Review of Economic History* 14: 47-70
- Mitchener KJ, Weidenmier M (2005) Empire, public goods, and the Roosevelt Corollary. *The Journal of Economic History* 65(3): 658-692.
- Rosenberg ES, Rosenberg NL (1987) From colonialism to professionalism: the public-private dynamic in United States foreign financial advising, 1898-1929. *The Journal of American History* 74(1): 59-82

Session 5 (March 2)

Student presentations I

Session 6 (March 9)

Crises

- Accominotti O, Eichengreen B (2016) The mother of all sudden stops: capital flows and reversals in Europe 1919-32. *Economic History Review* 69 (2): 469-492.
- Bordo MD, Cavallo AF., Meissner CF (2010) Sudden stops: determinants and output effects in the first era of globalization, 1880-1913. *Journal of Development Economics* 91: 227-41.
- Catao L (2007) Sudden stops and currency drops: a historical look. In: S. Edwards et al. (eds) *The Decline of Latin American Economic Growth, Institutions, and Crises* (University of Chicago Press), pp. 243-289
- Mitchener KJ, Weidenmier MD (2008) The Baring crisis and the Great Latin American meltdown of the 1890s. *The Journal of Economic History* 68(2): 462-500

Session 7 (March 16)

Defaults

- Eichengreen B, Portes R (1986) Debt and default in the 1930s. *European Economic Review* 30: 599-640
- Esteves RP (2013) The bondholder, the sovereign, and the banker: sovereign debt and bondholders' protection before 1914. *European Review of Economic History* 17: 389-407
- Flandreau M (2013) Sovereign states, bondholder committees, and the London Stock Exchange in the nineteenth century (1827-68): new facts and old fictions. *Oxford Review of Economic Policy* 29(4): 668-696
- Mitchener KJ, Weidenmier M (2010) Supersanctions and sovereign debt repayment. *Journal of International Money and Finance* 29: 19-36

Session 8 (March 23)

Original Sin

- Bordo MD, Meissner CM, Stuckler D (2010) Foreign currency debt, financial crises and economic growth: a long-run view. *Journal of International Money and Finance* 29: 642-665
- Catao L, Milesi-Ferretti GM (2014) External liabilities and crises. *Journal of International Economics* 94: 18-32
- Eichengreen B, Hausmann R, Panizza U (2007) Currency mismatches, debt intolerance and the Original Sin: why they are not the same and why it matters. In: S. Edwards (ed) *Capital Controls and Capital Flows in Emerging Economies* (University of Chicago Press), pp. 121-169
- Hausmann R, Panizza U (2003) On the determinants of Original Sin: an empirical investigation. *Journal of International Money and Finance* 22: 957-990

Session 9 (April 6)

International currencies

- Eichengreen B, Flandreau M (2009) The rise and fall of the dollar (or when did the dollar replace sterling as the leading reserve currency)? *European Review of Economic History* 13: 377-411
- Eichengreen B, Chitu L, Mehl A (2016) Stability or upheaval? The currency composition of international reserves in the long run. *IMF Economic Review* 64(2): 354-380
- Eichengreen B, Mehl A, Chitu L (2019) Mars or mercury? The geopolitics of international currency choice. *Economic Policy* (April): 315-363
- Flandreau M, Jobst C (2009) The empirics of international currencies: network externalities, history and persistence. *The Economic Journal* 111(537): 643-664

Session 10 (April 13)

Student presentations II

Session 11 (April 20)

Financial repression

- Grilli V, Milesi-Ferretti GM (1995) Economic effects and structural determinants of capital controls. *IMF Staff Papers* 42(3): 517-551
- Leblang DA (1997) Domestic and systemic determinants of capital controls in the developed and developing world. *International Studies Quarterly* 41(3): 435-454
- Menaldo V (2016) The fiscal roots of financial underdevelopment. *American Journal of Political Science* 60(2): 456-471
- Rajan R, Zingales L (2003) The great reversals: the politics of financial development in the twentieth century. *Journal of Financial Economics* 69: 5-50.

Session 12 (April 27)

Global finance redux

- Abiad A, Mody A (2005) Financial reform: What shakes it? What shapes it? *The American Economic Review* 95(1): 66-88
- Agnello L, Castro V, Tovar Jalles J, Sousa RM (2015) What determines the likelihood of structural reforms? *European Journal of Political Economy* 37: 129-145
- Burgoon B, Demetriades P, Underhill GRD (2012) Sources and legitimacy of financial liberalization. *European Journal of Political Economy* 28: 147-161
- Quinn D, Toyoda M (2007) Ideology and voter preferences as determinants of financial globalization. *American Journal of Political Science* 51(2): 344-363

Session 13 (May 4)

Secular views

- Bekaert G, Mehli A (2019) On the global financial market integration “swoosh” and the trilemma. *Journal of International Money and Finance* 94: 227-245
- Funke M, Schularick M, Trebesch C (2016) Going to extremes: politics after financial crises 1870-2014. *European Economic Review* 88:227-260.
- Jordá O, Schularick M, Taylor AM (2016) Sovereign versus banks: credit, crises, and consequences. *Journal of the European Economic Association* 14(1): 45-79
- Schularick M, Taylor AM (2012) Credit booms gone bust: monetary policy, leverage cycles, and financial crises 1870–2008. *The American Economic Review* 102(2): 1029-1061

Session 14 (May 11)

Presentation and discussion of seminar papers

ADDITIONAL TOPICS FOR SEMINAR PAPERS

For their seminar paper students can either dig deeper in one of the topics dealt with in the weekly section, or work on one of the topics listed below. For each of them, they will find in Aula Global a folder with a selection of readings.

TRADE IN THE FIRST GLOBALIZATION

- The gravity of international trade
- Commodity market integration
- Trade liberalization in the 19th century: a myth?
- Political consequences of trade
- The integration of peripheral economies
- The rise of protectionism in the interwar period

LABOR MOBILITY BEFORE AND DURING THE AGE OF MASS MIGRATIONS

- Transatlantic slave trade
- Indentured labor migration in the British Empire
- Determinants of mass migration in the First Globalization
- Migrations and wage convergence
- Inequality and migration policy backlash
- Self-selection and assimilation in the US
