

# **BANDO VISITING PROFESSORS “SHORT TERM”**

**a.a. 2021/2022**

## **SYLLABUS DEL MODULO DIDATTICO (16 ore)**

**Visiting Professor: D' Maris Dalton Coffman (UCL)**

### **Origins and Spread of Financial Capitalism**

#### **Overview**

Historical studies of financial capitalism from the nineteenth century onwards are most often concerned with moments of spectacular boom and bust from whence moral lessons are drawn for contemporary audiences. Charles Mackay's classic, *Extraordinary Popular Delusions and the Madness of Crowds*, has left generations of readers convinced of the irrational greed behind Tulip Mania, the South Sea Bubble, and the Mississippi Scheme. These seminars take these three early modern “bubbles” as case studies in market failure. In the first half, we will investigate what, if any, market fundamentals drove investor behavior and will study the contemporary polemical literature which followed in the wake of each speculative disaster. As an alternative approach, we will investigate the role of legal and regulatory regimes in increasing leverage and will explore the place of new technological and financial innovations as focal points of asset-price bubbles. By bringing new capital into markets, asset-price bubbles serve first to foster and then, by their collapse, to resolve what economists describe as the ‘lemons problem.’ In the second half, students will learn about the development of international capital markets and their role in financing both state and private ventures. Students will decide for themselves what behavioral finance and closely historicized studies of market microstructure can offer historians of financial capitalism. Students will learn why modern economic historians and historical economists consider interpretations of asset-price bubbles pivotal to theoretical debates about rational and efficient markets. In the second half of these seminars, we will apply these models to nineteenth and twentieth-century financial bubbles.

## General Reading

- Akerloff, George A. (1970) 'The Market for "Lemons": Quality Uncertainty and the Market Mechanism,' in *The Quarterly Journal of Economics*. 84:3, pp. 388-500.
- Chancellor, Edward. (2000), *Devil Take the Hindmost: A History of Financial Speculation*. (Plume Books).
- Eichengreen, Barry. (2008), *Globalizing Capital: A History of the International Monetary System* (Princeton University Press).
- Kindleberger, Charles.(2000), *Manias, Panics and Crashes: A History of Financial Crisis*. (John Wiley & Sons).
- Michie, Ranald.(2008), *The Global Securities Market* (Oxford University Press)
- Vogel, Harold.(2009), *Financial Market Bubbles and Crashes* (Cambridge University Press).
- Calomiris, Charles, Haber H. Stephen. (2014), *Fragile by Design. The Political Origins of Banking Crises and Scarce Credit* (Princeton University Press).
- Eichengreen, Barry.(2015), *Hall of Mirrors. The Great Depression, the Great Recession and the Uses – and Misuses – of History*, (Oxford University Press).
- Neal, Larry. (2015), *The Concise History of International Finance. From Babylon to Bernanke* (Cambridge University Press).

## Part One: From Renaissance Italy to mid-Victorian Railway Booms

### Meeting 1) Tulipmania and the Dutch Republic: An Introduction

- French, Doug (2006) 'The Dutch monetary environment during tulipmania', *The Quarterly Journal of Austrian Economics* 9 (1): 3–14,
- Garber, Peter M. (2000), *Famous First Bubbles: The Fundamentals of Early Manias*, (MIT Press), pp. 1-47.
- Goldgar, Anne. (2007), *Tulipmania: Money, Honor and Knowledge in the Dutch Golden Age*. (University of Chicago Press).
- Pezzolo, Luciano and Giuseppe Tattara (2008). 'Una fiera senza luogo: Was Bisenzone an International Capital Market in Sixteenth-Century Italy?' *The Journal of Economic History*, 68, pp. 1098-112.
- Posthumus, N.W. 'The Tulip Mania in Holland in the Years 1636 and 1637', *Journal of Economic and Business History*, vol. 1 (May 1929), p. 434-466.
- Thompson, Earl (2007), 'The tulipmania: Fact or artifact?', *Public Choice* 130 (1–2), pp. 99–114.

### Meeting 2) South Sea Bubble and the Mississippi Scheme

- Collins, James B. (1995), *The State in Early Modern France*. (Cambridge University Press)
- Dale, Johnson, Tang. (2005) 'Financial Markets Can Go Mad: Evidence of Irrational Behaviour during the South Sea Bubble'. *Economic History Review*, Vol. 58:

2, pp. 233- 271.

- Dale, Johnson, Tang. (2007) 'Pitfalls in the Quest for South Sea Rationality'. *The Economic History Review*, Vol. 60, Issue 4, pp. 766-772.
- Frehen, Rik, William Goetzmann and Geert Rouwenhorst (2009) 'New Evidence on the First Financial Bubbles', Yale international Center for Finance, Working Paper 04.
- Garber, Peter M.(2000), *Famous First Bubbles: The Fundamentals of Early Manias*, (MIT Press), pp. 87-126.
- Hoppit, J. (2002) 'The myths of the South Sea Bubble,' in *Transactions of the Royal Historical Society*, 12, pp. 141-165.
- Kwass, Michael.(2000), *Privilege and the politics of taxation in eighteenth-century France: Liberté, Egalité, Fiscalité*, (Cambridge: Cambridge University Press)
- Neal, Larry.(1990), *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason* (Cambridge: Cambridge University Press).
- Paul, Helen J.(2010), *The South Sea Bubble: An Economic History of its Origins and Consequences*. (Routledge).
- Shea, Gary S. (2007) 'Financial Market Analysis Can Go Mad (in the Search for Irrational Behaviour During the South Sea Bubble),' *Economic History Review*, 60:4, pp. 742-765.
- Velde, François. (2009), 'Was John Law's system a bubble? The Mississippi Bubble revisited,' in *The Origins and Development of Financial Markets and Institutions* (ed. By Larry Neal and Jeremy Atak) (Cambridge University Press)
- Voth, Hans-Joachim and Peter Temin (2004). 'Riding the South Sea Bubble,' in *American Economic Review*, 94 (5), pp. 1654-1668.

### **Meeting 3) The Crisis of 1825 and the Foreign Bond Market**

- Bordo, Michael and Forrest Capie.(1993), *Monetary regimes in transition*. (Cambridge University Press).
- Ferguson, Niall.(1988), *The World's Banker: The History of the House of Rothschild* (London: Weidenfeld & Nicolson).
- Neal, Larry. (1988)'The Bank of England's First Return to Gold and the Stock Market Crash of 1825,' *Federal Reserve Bank of St. Louis Review*.
- Richard Sylla, Richard Tilly, and Gabriel Tortella, editors. (1999), *The State, the Financial System and Economic Modernization*. (New York: Cambridge University Press)
- Larry Neal and Jeremy Atak (eds.). (2009), *The Origins and Development of Financial Markets and Institutions* . (Cambridge University Press)
- Harris, Ron. (1997), "Political Economy, interest groups, legal institutions and the repeal of the Bubble Act in 1825," *The Economic History Review*, Volume 50, Issue 4, pages 675–696.
- Cardoso and Lains. (2010), *Paying for the Liberal State: The Rise of Public Finance in Nineteenth-Century Europe* (Cambridge)
- Oscar Gelderblom, editor. (2009), *The Political Economy of the Dutch Republic*. (Aldershot, UK: Ashgate)
- Harris, Ron. (2000), *Industrializing English Law: Entrepreneurship and Business Organization, 1720-1844* (Cambridge).
- Redish, Angela (2000), *Bimetallism: An Economic and Historical Analysis* (Cambridge).

#### **Meeting 4) International Banking Systems and the Collapse of Overend and Gurney**

- Baliga, Sandeep and Ben Polak.(2004), 'The Emergence and Persistence of the Anglo-Saxon and German Financial Systems.' *Review of Financial Studies*. Vol 17:1, pp.129-163.
- Campbell, Gareth. (2011) 'Myopic Rationality in a Mania'. *Explorations in Economic History*. (electronic proof in CamTools).
- Folhin, C. (1988). 'Relationship Banking, Firm Liquidity Constraints and investment in German Industrialization'. *Journal of Finance*, 53(5): pp. 1737-1758.
- Elliott, Geoffrey. (2006), *The Mystery of Overend & Gurney: A Financial Scandal in Victorian London*. (London: Methuen).
- Guinnane, Timothy. (2003) 'Delegated Monitors, Large and Small: Germany's Banking System, 1800-1914,' *Journal of Economic Literature*, 40:1, pp. 73-134.
- Harris, Ron. *Industrializing English Law: Entrepreneurship and Business Organisation, 1720-1844* (Cambridge, 2000).
- Hoffman, Philip, Jean-Laurent Rosenthal, and Gilles-Postel-Vinay.(2000), *Priceless Markets: The Political Economy of Credit in Paris, 1660-1870*, Chicago: University of Chicago Press, chs. 10 & 11.
- Michie, E. B. (2001). 'Buying brains: Trollope, Oliphant, and vulgar Victorian commerce'. *Victorian Studies* 44(1), pp. 77-97.
- Ward, J.R. (1974), *The Finance of canal building in eighteenth-century England*. (Oxford University Press).

#### **Part Two: From the *Belle Epoque* to the Collapse of Bretton Woods**

#### **Meeting 5) Overseas Investment 1870-1914 and evidence for 'Victorian Decline'**

- Mitchell, Chambers, and Crafts (2011). 'How good was the profitability of British Railways, 1870-1912' *Economic History Review*, Vol. 64, Issue 3, pp. 798-831.
- Davis L. And Huttenback R. (1982) 'The political economy of British imperialism: measures of benefits and supports' *Journal of Economic History*, 42: pp 119-130.
- Edelstein M. (1982) *Overseas Investment in the Age of High Imperialism: The UK 1850-1914*.
- Cottrell, P.L. (1975) *British Overseas Investment in the 19<sup>th</sup> Century*.
- Collins, M. (1991) *Banks and Industrial Finance in Britain 1800-1939*.
- George R. Boye and Timothy J. Hatton. (2002) 'New estimates of British unemployment, 1870-1913'. *The Journal of Economic History*, 62(3): pp. 643-675.
- Goetzmann, W. N. and Ukhov, A. D. (2006) 'British investment overseas, 1870-1913: a modern portfolio theory approach', *Review of Finance*, 10, pp. 261-200.
- Kennedy W. (1974) 'Foreign Investment, trade and growth in the UK, 1870-1913' *Explorations in Economic History*, vol.11.
- R.E. Rowthorn and S.N. Solomou (1991). 'The macroeconomic effects of overseas investment on the UK balance of trade, 1870-1913'. *Economic History Review*, 44(4), pp. 654-664.

#### **Meeting 6) US Financial Capitalism and Morgan's Men**

- Calomiris C. (1995), 'The Costs of Rejecting Universal Banking: American Finance in the German Mirror' in Naomi R. Lamoreaux & Daniel M.G. Raff (ed.) *Coordination and information: historical perspectives on the organization of enterprise*, Ch.8
- Cantillo Simon M. (1998), 'The rise and fall of bank control in the United States 1890-1939' *American Economic Review* 88 (5), pp.1077-93.
- Cheffins, B. (1989) 'The Development of Competition Policy, 1890-1940: Re-evaluation of a Canadian and American Tradition', *Osgoode Hall Law Journal*, 27, pp. 449-490.
- De Long J.B. (1990), 'Did Morgan's Men Add Value?' in P. Temin (ed.) *Inside the Business Enterprise: Historical Perspectives on the Use of Information* pp. 205-236 (University of Chicago Press)
- Fohlin C. (1999) 'Universal Banking in Pre-World War I Germany: Model or Myth?' *Explorations in Economic History* 36: 139-174
- Hannah, L. (2007) 'What did Morgan's Men Really Do?' Working Paper, University of Tokyo. [http://www2.e.u-tokyo.ac.jp/cemano/research/DP/documents/coe-f-160.pdf]
- Morrison A.D. and W.J. Wilhelm (2007). *Investment Banking: Institutions, Politics and Law*. Oxford University Press.
- Ramirez C. (1995) 'Did J.P. Morgan's Men Add Liquidity? Corporate Investment, Cash Flow, and Financial Structure at the Turn of the Century' *Journal of Finance* 50, pp. 661-678.

### **Meeting 7) The 1929 Crash and the Great Depression**

- Bernanke B. (1983) 'Nonmonetary Effects of the Financial Crisis in the Propagation of the Great Depression,' *American Economic Review*, 73, pp. 257-276.
- Bernanke B. (1995) 'The Macroeconomics of the Great Depression: A Comparative Approach', *Journal of Money, Credit, and Banking* 27, pp. 1-28.
- Calomiris C.W. (1993), 'Financial Factors in the Great Depression', *Journal of Economic Perspectives* 7, pp. 61-85.
- Dehejia R. and A. Lleras-Muney (2003), 'Why Does Financial Development Matter? The United States from 1900 to 1940' NBER WP no. 9551.
- Krosner R. and R. Rajan (1993). 'Is the Glass-Steagall Act justified? A Study of the US experience with Universal Banking before 1933' *American Economic Review* 84(4), pp. 810-832.
- McGratten, E. and E. Prescott (2004). 'The 1929 stock market: Irving Fisher was right?' *International Economic Review* 45, pp. 991-1009.
- Pastor L. and P. Veronesi (2005) 'Technological Revolutions and Stock Prices' CRSP working paper no.606 [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=868527](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=868527)
- Rappaport P. and E.N. White (1993), 'Was there a Bubble in the 1929 Market?' *Journal of Economic History* 53 (3), pp. 549-574.
- Romer C. (1992), 'What Ended the Great Depression?' *Journal of Economic History* 52 (4), pp. 757-784.
- Shiller R. (2001), 'New Era Economic Thinking' in *Irrational Exuberance* (Princeton University Press), Ch. 6.
- White E.N. (1990), 'The Stock Market Boom and Crash of 1929 Revisited,' *Journal of Economic Perspectives* 4, pp. 67-83.

## Meeting 8) Global Finance and the Policy Trilemma

Bordo M. and H. Rockoff (1996) 'The Gold Standard as 'a Good Housekeeping Seal of Approval' *Journal of Economic History* 56, pp. 389-428.

Eichengreen B. (2006) *Global Imbalances and the Lessons of Bretton Woods* (MIT Press).

Eichengreen, B. (2011). *Exorbitant Privilege: The Rise and Fall of the Dollar* (Oxford University Press).

Mauro P., N. Sussman and Y. Yafeh (2007), *Emerging Markets and Financial Globalisation*. (Oxford University Press).

Schenk, Catherine. (2010) *The Decline of Sterling: Managing the Retreat of an International Currency* (Cambridge University Press)

Stulz R. (2005). 'The Limits of Financial Globalisation,' *Journal of Finance* 60, pp. 1595-1638.

Taylor, A. (2004) 'Global Finance: Past and Present' *IMF, Finance and Development* March: 28-31  
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