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978-0-521-63317-8 - Global Capital Markets: Integration, Crisis, and Growth

Maurice Obstfeld and Alan M. Taylor

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## **Global Capital Markets: Integration, Crisis, and Growth**

This book presents an economic history of international capital mobility since the late nineteenth century. A preamble introduces the major issues and examines developments in the eighteenth century and before, the important historical preconditions that set the stage for a global market in the nineteenth century. Theory and empirical evidence are used to evaluate the evolution of globalization in financial markets. A discussion of institutional developments focuses on policies toward capital controls and on the pursuit of domestic policy objectives in the context of changing monetary regimes. Governments face a fundamental *macroeconomic policy trilemma*, which forces them to trade off among their conflicting goals, with natural implications for capital mobility. Understood in this way, the present era of globalization can be seen, in part, as the resumption of a liberal world order that was established in the years from 1880 to 1914. Much has changed along the way. Marking a reaction against the old order, the Great Depression emerges as the key turning point in the recent history of international capital markets and offers important insights for contemporary policy debates. Today's return to a world of globalized capital is marked by great unevenness in outcomes, in terms of both participation in capital-market integration and in the distribution of risks and rewards. More than in the past, foreign investment flows largely from rich countries to other rich countries. Yet the burden of financial crises falls most harshly on developing countries, with costs for everyone. After a century in which markets closed and then reopened, this book brings together what we have learned about the dynamics of the international macroeconomic order.

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# Global Capital Markets

## Integration, Crisis, and Growth

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ALAN M. TAYLOR

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32 Avenue of the Americas, New York NY 10013-2473, USA

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[www.cambridge.org](http://www.cambridge.org)

Information on this title: [www.cambridge.org/9780521633178](http://www.cambridge.org/9780521633178)

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First published 2004

Reprinted 2004, 2005

First paperback edition 2005

Reprinted 2006, 2007, 2008

*A catalogue record for this publication is available from the British Library*

*Library of Congress Cataloguing in Publication data*

Obstfeld, Maurice

Global capital markets : integration, crisis, and growth / Maurice Obstfeld, Alan M. Taylor.

p. cm. – (Japan-U.S. Center Sanwa monographs on international financial markets)

Includes bibliographical references and index.

ISBN 0-521-63317-6

1. International finance – History. 2. Capital market – History. 3. International economic relations – History. I. Taylor, Alan M., 1964– II. Title. III. Series.

HG3881.02633 2004

332'.042–dc21 2004051477

ISBN 978-0-521-63317-8 Hardback

ISBN 978-0-521-67179-8 Paperback

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To Leslie Ann, Eli, Clara, and Zachary

*M. O.*

To Claire and Olivia

*A. M. T.*

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## Acknowledgments

This book reflects more than six years of research and writing on the evolution of global capital markets and an even longer period spent thinking about the topic. The culmination of the project allows us to recall how much we owe to the many people and institutions that have helped to make our work possible. Various kinds of financial and logistical support facilitated our collaboration, especially when we were working at long distance. Equally important were the intellectual and personal debts we accrued, which can be counted among every author's greatest assets.

We are sincerely obliged to Sanwa Bank (now UFJ Bank) for their generous endowment, which established this monograph series and the associated prize to encourage research on international finance. This initiative has been all the more successful thanks to the oversight of the Japan-U.S. Center at New York University and, in particular, Professors Ryuzo Sato and Rama Ramachandran. On several occasions we received helpful comments on the manuscript from the prize selection committee, which, in the initial stages of the project, included Richard Zeckhauser, the late Merton Miller, and the late James Tobin.

The long gestation of our book has also been helpfully sustained by other sources of material assistance. Obstfeld gratefully acknowledges support from the U.S. National Science Foundation, through grants to the National Bureau of Economic Research (NBER), and from the Class of 1958 Chair at the University of California, Berkeley. Taylor gratefully acknowledges the support of the National Fellowship at the Hoover Institution, Stanford University, and the Chancellor's Fellowship at the University of California, Davis.

We are indebted to a great many of our fellow scholars. On account of his role in shaping our research, we would first like to thank our colleague, Jay Shambaugh – for making it a pleasure to research and write with him and for permission to draw on our joint work in this book. We are also grateful to our

research assistants, who have been closely involved in the endeavor since the beginning. Haru Connolly, Julian di Giovanni, Ryan Edwards, Miguel Angel Fuentes, David Jacks, Matthew Jones, and Marc Muendler all provided superb help and useful suggestions, while retaining the good humor that is essential when working with historical records. They bear no responsibility for the final work, of course, and neither do the many scholars who gave constructive criticism or assisted us in tracking down data and details. For their help we thank Ronald Albers, Pranab Bardhan, Luis Bértola, Ben Bernanke, Michael Bordo, Guillermo Bózzoli, Charles Calomiris, Kevin Carey, Gregory Clark, Michael Clemens, Nicholas Crafts, Lance Davis, Gerardo della Paolera, the late Rudi Dornbusch, Michael Edelstein, Barry Eichengreen, Graham Elliott, Niall Ferguson, Albert Fishlow, Marc Flandreau, Jeffrey Frankel, Jeffrey Frieden, Stephen Haber, Timothy Hatton, Peter Henry, Douglas Irwin, Michael Jansson, Matthew Jones, Joost Jonker, Graciela Kaminsky, Michael Klein, Jan Tore Klovland, Michael Knetter, Philip Lane, David Leblang, Peter Lindert, James Lothian, Paolo Mauro, Ian McLean, Satyen Mehta, Christopher Meissner, Gian Maria Milesi-Ferretti, Joel Mokyr, Larry Neal, Lawrence Officer, Kevin O'Rourke, Şevket Pamuk, Peter Pedroni, Richard Portes, Leandro Prados de la Escosura, Dennis Quinn, Carmen Reinhart, Vincent Reinhart, Jaime Reis, Hugh Rockoff, Peter Rousseau, Sergio Schmukler, Pierre Sicsic, James Stock, Nathan Sussman, Lars Svensson, Richard Sylla, Mark Taylor, Michael Tomz, Gail Triner, Michael Twomey, Jürgen von Hagen, Frank Warnock, Mark Watson, Marc Weidenmier, Michael Wickens, Jeffrey Williamson, Yishay Yafeh, and Tarik Yousef.

We have also had the benefit of presenting our work to numerous audiences around the world and we would like to thank them for their helpful comments. We gave related papers to the following conferences: Econometric Society Seventh World Congress, Tokyo, Japan, August 1995; NBER, Development of the American Economy, Cambridge, Mass., March 1996; NBER, Exchange Rates, Cambridge, Mass., May 1996; NBER, The Defining Moment: The Great Depression and the American Economy in the Twentieth Century, Kiawah Island, S.C., October 1996; UC Berkeley–Federal Reserve Bank of San Francisco International Finance Summer Camp, Berkeley and San Francisco, Calif., July 1998; Latin American and Caribbean Economic Association Meetings, Buenos Aires, Argentina, October 1998; American Economic Association Meetings, New York, January 1999; Colloquium on Globalization, University of California at Los Angeles, Los Angeles, Calif., November 1999; Canadian Network in Economic History Meeting, Stratford, Ont., Canada, October 2000; Centre for Economic Policy Research, Analysis of International Capi-

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tal Markets: Understanding Europe's Role in the Global Economy Workshop, Tel Aviv, Israel, November 2000; NBER, Globalization in Historical Perspective, Santa Barbara, Calif., May 2001; Globalization, Trade, and Development, Inter-American Development Bank and Brookings Institution, Washington, D.C., May 2001; International Financial Conference, University of Rome, Tor Vergata, Rome, Italy, December 2001; International Monetary Fund, Institute High-Level Seminar, Washington, D.C., August 2002; European Historical Economics Society, ESF Conference on Political Economy of Globalization, Dublin, Ireland, August 2002; Money, Macro, and Finance Research Group and ESRC Understanding the Evolving Macroeconomy Programme Conference, University of Warwick, U.K., September 2002; NBER, International Finance and Macroeconomics, Cambridge, Mass., October 2002; Global Linkages and Economic Performance, De Nederlandsche Bank, Amsterdam, The Netherlands, November 2002; American Economic Association Meetings, Washington, D.C., January 2003; The History of Financial Innovation, Yale School of Management, New Haven, Conn., March 2003. We also made presentations at the following: Banco Central del Uruguay; Bank of Japan; Centre for History and Economics, King's College, Cambridge; Columbia University; De Paul University; Fundação Getulio Vargas; Georgetown University; Harvard University; Indiana University; Massachusetts Institute of Technology; New York University; Queen's University; Stanford University; Universidad Argentina de la Empresa; Universidad Torcuato Di Tella; Universitat Pompeu Fabra; University of California, Berkeley; University of California, Davis; University of California, Los Angeles; University of California, San Diego; University of California, Santa Cruz; University of Chicago; University of Hawaii; University of Toronto; University of Virginia; University of Wisconsin; and the Washington, D.C., Area Economic History Workshop.

Certain parts of this book draw on some of our previously published work and we gratefully acknowledge the permission we were granted to quote from the following: "The Global Capital Market: Benefactor or Menace?" *Journal of Economic Perspectives* 12 (1998): 9–30; "The Great Depression as a Watershed: International Capital Mobility in the Long Run," in *The Defining Moment: The Great Depression and the American Economy in the Twentieth Century*, edited by Michael D. Bordo, Claudia D. Goldin, and Eugene N. White (Chicago: University of Chicago Press, 1998), ©1998 National Bureau of Economic Research, all rights reserved; "A Century of Current Account Dynamics," *Journal of International Money and Finance* 21 (2002): 725–48; "A Century of Purchasing Power Parity," *Review of Economics and Statistics* 84 (2002): 139–50; "Globalization and Capital Markets," in *Globalization in Historical Perspec-*

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*Acknowledgments*

*tive*, edited by Michael D. Bordo, Alan M. Taylor, and Jeffrey G. Williamson (Chicago: University of Chicago Press, 2003) ©2003 National Bureau of Economic Research, all rights reserved; and “Sovereign Risk, Credibility, and the Gold Standard: 1870–1913 versus 1925–31,” *Economic Journal* 113 (2003): 1–35.

Getting from an idea to a manuscript to a book is a lengthy, laborious trek and for encouragement along the way we thank our patient and persistent editor, Scott Parris. His colleague at the Press, Shari Chappell, made the production process as smooth as possible, even for two authors foolish enough to typeset their own manuscript. Sara Black copyedited the ever-changing flurry of paper with great skill and Ernie Haim kept the manuscript moving through the hoops.

Our deepest thanks go to our families for their support. They know what an investment this has been.

*M. O. & A. M. T.*  
*Berkeley and Davis, California*  
*September 2003*