My dissertation focuses on the role of governments in financial crises in thirty or so peripheral economies from 1870-1913. Economic historians refer to this period as the “first era of globalization” for its high degree of international capital, trade, and labor movements. This was also an economically volatile time, with relatively frequent financial crises. Other economic variables, such as commodity prices and tariff rates, saw significant fluctuations over this period. The turn of the twentieth century offers a rich source of data for analyzing the factors that contribute to the onset of financial crises as well as the recoveries from those crises.

1) Recovery from Financial Crises in Peripheral Economies, 1870-1913 [Job Market Paper]

What drives recoveries after financial crises? I address this question for the 1870-1913 “first era of globalization,” a period when international economic integration meant that terms of trade movements could have significant national-level impacts, but before governments were engaged in widespread economic management. Protectionism was one of the few economic policy options available at this time. The impacts of these two factors—terms of trade and tariff rates—over this period have been studied before. Previous studies have found negative relationships between terms of trade volatility and GDP growth. The findings for tariffs have been more contentious, with some studies finding positive relationships with GDP growth over this period while others find negative results. But these studies have not looked specifically at how these factors influenced recoveries from financial crises. Using local projections, I find that tariff shocks had a positive impact on GDP in post-crisis periods, while terms of trade shocks had a slightly negative impact. The tariff results are especially pronounced in temperate economies, whereas the terms of trade results are stronger in tropical economies. Overall, this suggests that national governments, through trade policies, played a more significant role in shaping economic outcomes during this period than is typically recognized.

2) Government-supported Industries and Financial Crises, 1880-1913

This paper studies the role that capital exports from industrial Europe played in financial crises in peripheral economies during the “first era of globalization” from 1880-1913. A newly expanded dataset extends this analysis to include capital exports from France and Germany, in addition to Great Britain. This dataset also allows for a disaggregated analysis of which sectors received capital flows in the capital-importing economies. Capital flows to government-supported sectors (railways, public utilities, and banks) were strongly associated with crises in emerging economies at this time, suggesting that the mechanisms of a “diabolic loop” (Marcus Brunnermeier et al., 2011) were already at play in the nineteenth century, as government finances became destabilized in connection with problems in the government-supported sectors. These findings offer a more complete understanding of the causes of financial crises during this globally integrated era, by highlighting the significance of government-market interactions and moral hazard issues.

3) Commodity Prices, Tariff Rates, and Recoveries from Financial Crises: The United States and Argentina in the 1890s

The United States and Argentina both experienced severe financial crises in the early 1890s. This paper analyzes the trajectory of the recoveries from these crises in an international context. The main focus is how changes in commodity prices and tariff rates affected the recoveries from these crises. Sustained recovery only occurred in the United States when wheat prices surged in 1897. Likewise, recovery was delayed after the Baring Crisis in Argentina in part because of decreased prices for agricultural exports, and renewed growth.
coincided with higher export prices. Increases in tariff rates also occurred during these recovery periods. Individual studies exist for both the U.S. and Argentina over this period, but this paper expands upon earlier research by framing these cases in an international context and taking a longer-run perspective. Through this international lens the United States and Argentinian cases are less unique, as their depressions and eventual recoveries occurred during a global slump in commodity prices, which only reversed toward the end of the 1890s. This suggests that focusing on policy responses to these crises misses the international macroeconomic and business cycle factors that shaped the course of these major developing economies during the 1890s, and highlights the role of that commodity production played during this phase of economic development.