**Columbia History Department**

**Global Innovation Fund Senior Thesis Fellowship**

**Application**

**Name of applicant:**

**Year:**

**Major:**

European History (2nd major: Economics)

**Specialization within major:**

Modern Europe

**Faculty member who can serve as a reference (no letter of recommendation is required):**

Susan Pedersen

Adam Tooze (advisor)

**Previous European travel:**

**Relevant courses taken, and any relevant research papers written:**

Relevant Courses

HIST W3948 *Global History: The Great Recession* (Professor Adam Tooze)

ECON V3265 *Money and Banking* (Professor Perry Mehrling)

ECON W4996 *Research Course* *Agriculture and the Great Depression* (Professor Joseph Stiglitz, Fall 2015 and currently)

HIST W3555 *America in Depression and War* (Professor Meg Jacobs, currently)

ECON X3013: *Economic History of the United States* (Professor David Weiman, currently)

Relevant Research Papers (used primary sources in each)

*HIST W3060 Laws of War in the Middle Ages (Professor Adam Kosto) [6 pages each]*

“Dieu et Mon Droit: An Englishman’s Reading of Captivity and Hostage-taking”

“Deus Lo Volt! Two Accounts of Spoils in the Fourth Crusade”

*HIST W3398 Politics of Terror: The French Revolution (Professor Charly Coleman) [5 pages]*

“The Children of Saturn: Formations of Peoples and Others during the Terror”

“O Tempora! O Mores! Sovereignty and Changing Political Realities in 18th Century France”

*HIST W4010 The Roman World in Late Antiquity (Professor Giovanni Ruffini) [20 pages]*

“Raptures and Ruptures: Imperial Ceremony in Late Antique Constantinople, Constantine to Justinian II”

**Summer research plan (travel dates and archives you plan to visit):**

Arrive in London on week of June 13, do research for three weeks, go to Paris for the workshop (July 6-8), and complete two more weeks in London (enough time to order new source material before the Paris visit and have it be waiting when I return). Leave London on July 18 or 19.

Archives:

Bank of England archives, Baring Brothers archive, Rothschild archive, London Metropolitan Archives, potentially British Library archive for newspapers not digitized.

Thesis Prospectus

The Transnational Financial System of the 1890s:

The Baring Crisis in Britain and its Global Ripple Effects

Research Question

I plan to examine the transnational interconnected financial system which developed during the British Barings Crisis of 1890 between British banks, Argentinian investments and the Panic of 1893 in the United States.Many historians and economists have treated the British Barings Crisis and the Panic of 1893 as separate, isolated phenomena (particularly US historians, who attribute the US Panic to largely domestic causes). I would like to explore how these geographically disparate economic events (British investment bank failure, Argentinian economy, US economy) were connected by a unique financial system where capital moved freely in a flourishing global market. Poor policy judgement in one part of the system rippled through other parts. Using primary source evidence (both qualitative and quantitative), I will outline how the British Barings Crisis of 1890 led Argentina into a recession, and exacerbated the American economic downturn. Not only does the British Barings Crisis lay bare the international financial market, but such a history also informs the formation of bubbles in both Argentina and the United States, with irresponsible borrowing and lending. My topic is truly transatlantic—the British were heavily involved in both of the American continents. Therefore, my research question is: Did risky overinvestment overseas by British investment banks, precipitating the Barings Crisis of 1890, spur economic downturns in both Argentina and the United States? Are the related transmissions and disruptions evidence of a “hub and spoke” global financial market centered in London?

Through an examination of archival documents of the period at the Bank of England, the Baring Brothers, Rothschild and Sons, and Schroder (the major investment banks in London at the time), and the London Metropolitan Archives, I hope to find historical evidence that bad investments in Argentina led to financial distress for the British investment banks and created an Argentinian recession. To cover their losses, and under pressure from their regulator, Bank of England, the investment banks were compelled to withdraw their capital invested in railroad bonds in the United States, and no fresh capital was forthcoming. This, in turn, led to several U.S. railroad bankruptcies (starting with the Philadelphia and Reading RR in 1893) and contributed to the U.S. Panic (recession) of 1893. The ability of the British investment banks to financially impact other parts of the world, whether through an irresponsible over-investment, or a panicked response, lends credence to the existence of a globalized system where economic downturns often developed internationally.

Background/Secondary Scholarship (My contribution)

I have surveyed secondary scholarship on the global financial system between 1880 and 1914. Flandreau (2004) refers to this period as the first era of globalization, evidenced by declining yield premia, although the Barings Crisis and much of the 1890s reflected rising yield premia, indicating a temporary disruption or “de-globalization.” During this time, Britain carried out unprecedented levels of capital export to resource-rich nations like Argentina (for land/mining development) , and rapidly growing nations like the United States (for developing railroads across the continent). Historians and economists have looked separately at the causes of the British Barings Crisis of 1890 and the US Panic of 1893. My contribution to the economic history of the period would be significant in that it would view these apparently disparate historical macroeconomic instances as one financial system, with varying degrees of impact. Furthermore, my research would examine how specific British investment banks acted during this historical period of globalization and how their actions had significant economic ripple effects across the Atlantic. A modern parallel could be drawn with European banks in the 2000s, knowing that their overexposure aggravated the 2007 financial crisis.

I have already begun to examine contemporaneous primary sources available online, notably the *Commercial and Financial Chronicle*, *New York Times*, and the *Economist*,to get an understanding of the global economic environment during the 1890s. Furthermore, *The Economist* extensively documents how specific British investment banks acted during the economic crises of the 1890s. I have also started reading secondary scholarship like Marc Flandreau’s work, as well as articles by Barry Eichengreen and other economic historians, to understand the international finance system at the time.

Archives

I intend to search several British banking archives to get both a quantitative (balance sheets, ledgers and accounts of gold inflow or securities) and a qualitative (correspondences, newspaper articles) sense of the globalized economic environment in the 1890s. Specifically, documents regarding the British-Argentina crisis in 1890 can reveal the intensity of the financial distress, and how it could have been transmitted to have a “global contagion effect” on the US economic downturn in 1893. The Bank of England archives have very detailed accounts of both the Barings Brothers crisis of 1890 (where the Bank of England had to essentially bail them out), and the circumstances necessitating the panicked withdrawal of invested funds from U.S. railroads. The Bank of England archives will likely have communications between the Exchequer and investment bankers (both in England and the US) about the crisis and possible solutions. Furthermore, the archives should provide useful charts with macroeconomic data such as unemployment, gold inflow, interest rates, etc. Next, I will examine the specific actions and internal correspondence of the largest British investment banks at the time- Barings Brothers, Rothschild and Sons, and Schroder (all of which have extensive archives in London), as well as the London Metropolitan Archives. I would look for evidence that these investment banks heavily invested in Latin America, and after the fall of Barings and pressure from the Bank of England, began to liquidate their railroad investments in North America (which was a contributing factor to the 1893 U.S. Panic). In the online catalogue descriptions, I have observed that both the Bank of England archives and the Barings archive have correspondence between London and Buenos Aires in the 1880s and 1890s. In these archives, I would also look for specific charts and lagged quantitative data indicating the economic downturns in Britain, Argentina and the U.S. (value of securities, interest rates), as well as other anecdotal evidence of the downturns.

Timeline-Logistical Challenges

All four archives are located in central London and they are open every day, barring UK holidays. I have reached out to all of the archives informing them about the dates I plan to visit, to find out if the archives are open, and to ask what information I need to provide for access. Now that I have been able to successfully frame the research question for my thesis, in consultation with my advisor, Professor Adam Tooze, I can convey more specific requests to the archivists. To explore each of these 4 archives thoroughly, the research process should take roughly 4-5 weeks. While the Bank of England, Baring Brothers and London Metropolitan Archives have digitized the contents of their research collections, the Rothschild and Schroder Archives have them listed only by category (“Correspondences,” “Accounts”). Since I would like to go through all of the different categories for the years 1890-1893, it might take more time and I would potentially need to order more material while still in London. I intend to visit the Bank of England and Baring Brothers first since those archives are the best catalogued. This will leave more time at the end (and particularly after the workshop session in Paris) to focus on the less easily accessible archives. One particular problem I anticipate is that I might not find the specific economic data I need. Measuring macroeconomic trends and “invisible” phenomena like a global capital market is complex. It is possible that some of the variables used for such measurements in modern times (interest rates, corporate bond data etc.) will not be available. As a solution, I have found many primary source documents which also publish economic data (The *Economist*, the *Investor’s Monthly Manual*) which can help to supplement economic data which I cannot physically find in the archives.

I hope my senior thesis research will provide insights into the historical origins and interrupted development of globalization, and add to the existing scholarship on the economic history of the last decades of the nineteenth century.

Bibliography

**Secondary:**

Bordo, Michael, Alan Taylor, *Globalization in Historical Perspective*. Chicago: University of Chicago Press, 2005.

Cairncross, Alec. *Home and foreign investment, 1870-1913; studies in capital accumulation.* Cambridge: Cambridge University Press, 1953.

Eichengreen, Barry. “The Baring Crisis in a Mexican Mirror”, *International Political Science Review* 3 (1999): 249-270

Flandreau, Marc and Frederic Zumer. *The Making of Global Finance 1880-1914,* Paris: OECD Publications, 2004.

Ferns, H.S. *Britain and Argentina in the Nineteenth Century*. Oxford: Clarendon Press, 1960.

Fishlow, Albert. “Lessons from the Past: Capital Markets During the 19th Century and the Interwar Period”, *International Organization* 39 (1985): 383-439.

Platt, D.C.M., *Business Imperialism, 1840-1930: An Inquiry Based on British Experience in Latin America.* Oxford: Clarendon Press, 1977.

**Primary:**

Conant, Charles. *History of Modern Banks of Issue.* London: Putnam’s Sons, 1915.

Fenn, Charles. *Fenn’s Compendium of the English and Foreign Funds, Debts and Revenues…* 1889.

Mulhall, Michael George. *Mulhall’s Dictionary of Statistics.* London: G. Routledge and Sons, 1884.

The New York Times [1888-1893]

The Economist [1888-1893]

Investor’s Manual Monthly [1888-1893]

Commercial and Financial Chronicle [1888-1893]