

Call for Sessions - WEHC 2015 [S20039]

Proposed title of the session

How Financial Networks become Vulnerable to Crises: a Global and Historical Perspective

Abstract

The recent financial crisis has shown that it is crucial for scholars and policy makers to understand how a “financial network” becomes vulnerable to a crisis and how, once a crisis has begun, the resiliency of a financial network depends on its institutional architecture and on the social background of its participants. Such an understanding is a prerequisite for structuring reforms that will reduce the vulnerability of financial networks to crises and for prescribing policies that mitigate financial crises once they have started. Studies of individual sectors – such as commercial banking, investment banking, securities markets, foreign exchange markets, central banks, or payment mechanisms – are indispensable first steps in historical research. But those studies must be integrated into broader pictures of financial networks if misleading conclusions about the effectiveness and stability of financial networks are to be avoided. One of the problems in the most recent crisis was that economists had clear pictures of some sectors of the financial system, but lacked an understanding of how the growth of shadow banking had increased the vulnerability of financial systems to destabilizing shocks.

Comparative economic history, we believe, is the best way forward. The diversity of historical experience is striking. Some national financial networks have experienced more crises and more virulent financial crises than others. For example, the United States has had many financial crises and Canada, arguably, has had none. Some financial networks, moreover, such as Japan’s, have remained free from demoralizing panics, but have suffered long periods of retrenchment. Historical context and evolution are important factors here. For example, the banking systems in pre-1825 England and the late nineteenth-century United States had basically the same configuration, hub and spoke networks centered on London and New York respectively, but quite different performances. While in the United States disruptions and paralyses of the payments system were virtually regular events, in England there were none.

Our session will explore the origin of differences in financial networks of various nations – our panelists include experts on the financial history of the United States, Japan, Britain, France, Canada and Sweden – and the ways in which those differences have affected the efficiency and vulnerability of their financial networks. We will include studies of social background of participants in financial networks because we recognize that while financial networks are strongly influenced by formal legislation and governmental regulation, the usual focus of economic historians, financial networks also reflect the influences of personal, cultural, national, class, and religious ties operating over long periods to shape financial institutions and the relations among them.

The meetings in Kyoto are an ideal venue for undertaking and continuing the comparative studies needed to make progress on these questions. The session will, to put it somewhat differently, strengthen the international network of financial historians, a prerequisite for strengthening the international network of financial institutions.

I. Corresponding Session Organiser

Mr. Hugh Rockoff (Rutgers University [United States of America])

II. Co-Organiser(s)

1. Corresponding Organiser.
2. Prof. Isao Suto (School of Political Science and Economics, Meiji University [Japan])
3. Prof. John James (University of Virginia [United States of America])

III. Expected Participant(s)

1. same as correspondent.
2. Claude Diebolt (University of Strasbourg [France])
3. John James (University of Virginia [United States of America])
4. Anders Ogren (Lund University [Sweden])
5. Antoine Parent (Sciences Po Lyon [France])
6. Angela Redish (University of British Columbia [Canada])
7. Masato Shizume (Bank of Japan [Japan])
8. Isao Suto (Meiji University [Japan])
9. Masato Tsurumi (Hosei University [Japan])