

Call for Sessions - WEHC 2015 [S20150]

Proposed title of the session

Local and Global Determinants of Early Financial Crises: The Mississippi and South Sea Bubbles revisited

Abstract

This session calls for papers that bring new evidence and fresh thinking to a crucial moment in the unfolding of financial capitalism: the 1720 global stock market bubble.

Economists have long disputed whether the 1720 South Sea Bubble was a 'rational' bubble based on fundamentals. Yet, behavioural economists have shown that rationality cannot adequately explain the market. It is time to develop approaches to early financial markets over and above rationality. How can we explore subjective biases and historically specific expectations that informed market behaviour? How did local traditions and global circumstances shape expectations? How can we factor them in when studying price movements? These are the larger questions that this panel will explore through case studies of the Mississippi Bubble and the South Sea Bubble of 1719-20.

These questions will be tackled by bringing together global and micro approaches. Despite the recent flourishing of global history, studies of the first market bubbles are yet to reposition the iconic events in their global, inter-imperial, contexts. Long since the mid-seventeenth century, European states competed in arms and in trade over the Caribbean and the Americas. Business plans of companies such as the South Sea Company need to be examined precisely in this imperial context. 1720 is significant because the year saw the dramatic continuation of such imperial rivalry through business and public finance. The co-organiser of this session, Stefano Condorelli, will demonstrate that the boom of joint-stock companies and debt-for-equity schemes was a truly pan-European phenomenon, stretching from Lisbon to St. Petersburg, from Sicily to Denmark. There was striking 'diversity in development' across Europe, in terms of the role of the state, the size and experience of the local capital market, and the potential role of foreign projectors and investors. Papers are welcome that examine global dimensions of the early bubbles within such broader contexts of imperial rivalry over war, trade, and public finance.

Behavioural economists have examined subjective biases in today's markets. But we know little about historically specific biases and expectations that were shaped in the environment of such imperial rivalry. Thus, we also welcome papers that cast new light on investing networks involving centres of speculation such as London, Paris, Amsterdam and smaller venues such as Dublin and Bern. Also sought after are papers that study experience of investors in such dynamic settings. Koji Yamamoto, another organiser, will use the well-documented case study of the Duke of Chandos's investment network to examine how the powerful notion of friendship served as an essential, yet imperfect, means to manage risk, evaluate competence, and consolidate trust in the emerging international financial markets.

Bringing together both established and emerging scholars in the field, the panel will thus present evidence of heterogeneous, culturally informed, responses to shared contexts of global expansion, imperial rivalry, fiscal pressure, and business opportunities. It will thereby improve the empirical basis of future scholarship and move the debate beyond that of rationality. The concluding discussion will unpack methodological and theoretical implications for understanding more recent crises.

I. Corresponding Session Organiser

Dr. Koji Yamamoto (King's College London [United Kingdom of Great Britain and Northern Ireland])

II. Co-Organiser(s)

1. Corresponding Organiser.
2. Dr. Stefano Condorelli (Universität Bern [Switzerland])
3. Prof. Larry Neal (University of Illinois Urbana-Champaign [United States of America])

III. Expected Participant(s)

1. same as correspondent.
2. Stefano Condorelli (Universität Bern [Switzerland])
3. Larry Neal (University of Illinois Urbana-Champaign [United States of America])
4. François Velde (Federal Reserve Bank of Chicago [United States of America])
5. Shinsuke Satsuma (Waseda University [Japan])