FINANCIAL AND ECONOMIC HISTORY

Workshop - 24th & 25th November 2023

UCLouvain campus Saint-Louis Bruxelles

Co-organised by CEREC (UCLouvain Saint-Louis – Bruxelles) and CEBRIG (Université Libre de Bruxelles).

FRIDAY 24th NOVEMBER

Salle des examens - UCLouvain Saint-Louis - Bruxelles - 43, bd du Jardin Botanique

13.30-13.45: Registration/Welcome Coffee
13:45-14.00: Opening Speech (Alexandre Girard - Kim Oosterlinck)

14.00-15.30 : Afternoon Session I (Chaired by Kim Oosterlinck)

14.00-14.45: Paper 1 - Lacroix, Jean (Université Paris-Saclay)
Domino Secessions : Evidence from the U.S. (Jean Lacroix, Kris James Mitchener & Kim Oosterlinck)

14.45-15.30: Paper 2 – Esteves, Rui (Graduate Institute of International and Development Studies in Geneva)
Missing Markets: Market Microstructure and Market Failure on the 19th Century London Stock Exchange (Rui Esteves and Gabriel Geisler Mesevage)

15.30-16.00: Coffee Break
16.00-17.30: Afternoon Session II (TBD)

16.00-16.45: Paper 3 – Ghallada, Youssef (UCLouvain Saint-Louis –Bruxelles and Université Libre de Bruxelles)
Pound for Pound: the Sterling bill market during the first wave of globalisation.

16.45-17.30: Paper 4 – Accominotti, Olivier (London School of Economics and Political Science)
The Making of Safe Assets: London acceptance houses and the intermediation of bills of exchange, 1880-1914 (Olivier Accominotti, Aurelius Noble, and Stefano Ugolini)

17.30-18.45: Keynote Closure Friday Session Speech (Marc Flandreau, Universty of Pennsylvania)

19:30: conference dinner on invitation

SATURDAY 25th NOVEMBER

Salle P02 - UCLouvain Saint-Louis - Bruxelles - 119 rue du marais

8.30-9.00: Welcome Coffee

9.00-11.15: Morning Session I (Chaired by Rui Esteves)

09.00-9.45: Paper 5 – Ugolini, Stefano (Science Po Toulouse)
Fiscal Dominance, Monetary Policy and Exchange Rates: Lessons from Early-Modern Venice (Donato Masciandaro, Davide Romelliand, Stefano Ugolini)

09.45-10.30: Paper 6 – Deloof, Marc (University of Antwerp)
Belgian Financial Elites and Destructive Entrepreneurship in King Leopold's Congo Free State

10.30-11.15: Paper 7 – Verdickt, Gertjan (KU Leuven)
Banking on Innovation: Listed and Non-listed Equity Investing, Evidence from Société Générale de Belgique, 1850-1934

11.15-11.30: Closing Conference Speech

12.00-13.30 : lunch

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FINANCIAL AND ECONOMIC HISTORY

Abstracts

FRIDAY 24th NOVEMBER

Salle des examens - UCLouvain Saint-Louis - Bruxelles - 43, bd du Jardin Botanique

Paper 1 - *Domino Secessions: Evidence from the U.S. - Jean Lacroix, Kris James Mitchener & Kim Oosterlinck*

We analyze how secession movements unfold and the interdependence of regions' decisions to secede. We first model and then empirically examine how secessions can occur sequentially because the costs of secession decrease with the number of seceders and because regions update their decisions based on whether other regions decide to secede. We verify the existence of these "domino secessions" using the canonical case of the secession of southern U.S. states in the 1860s. We establish that financial markets priced in the costs of secession to geographically specific assets (state bonds) after Lincoln's election in the fall of 1860 – long before war broke out. We then show that state bond yields reflect the decreasing costs of secession in two ways. First, as the number of states seceding increased, yields on the bonds of states that had already seceded fell. Second, seceding states with more heterogeneous voters had higher risk premia, reflecting investors beliefs that further sub-secession was more likely in these locations.

Paper 2 - *Missing Markets: Market Microstructure and Market Failure on the 19th Century London Stock Exchange - Rui Esteves and Gabriel Geisler Mesevage*

This paper studies the conditions under which market makers refuse to deal in particular securities. We study this problem in the context of an exclusively dealer market, the LondonStock Exchange in the late 19th century. We show that up to 80% of listed securities could notbe traded at the posted bid and ask prices offered by professional dealers. Our estimates showthat this surprising lack of liquidity is consistent with the adverse selection model of Glostenand Milgrom (1985). In addition, our results caution against the use of the 'turns' quoted bythe LSE as approximations to the bid-ask spread since they corresponded to cost of obtaining immediacy for only a minority of the listed secu

Paper 3 – *Pound for Pound: the Sterling bill market during the first wave of globalisation Youssef Ghallada*

This paper examines the effect of countries' access to the London Money Market on bilateral trade flows during the first wave of globalisation. During that period, the Sterling bill of exchange was one of the most liquid financial assets traded in the world. This London short term financial instrument enabled exporters to finance the production and/or shipment of their goods. The channel explored stresses how financial intermediaries alleviated exporter's barrier to trade by providing working capital and insuring against export risks. Using the workhorse gravity model of Anderson and van Wincoop (2003), I test this channel by assessing whether countries' access to London Market impacts positively their bilateral trade. To do so, I constructed a unique granular dataset on Sterling bills of exchange, comprising 27.064 bills for the year 1878 for which I add Accominotti et al. (2021)'s data for the period 1906. I identify, for each country-pair, the number of firms (banks or not) having a credit line available in the London Bills Market to finance their trade and I evaluate its impact on bilateral trade flows. My results, on a panel of 33 countries, show that, within a country-pair, a one standard deviation increase in the number of drawers (i.e., borrowers) fosters their bilateral exports of about 67%. Differentiating by type of drawers and acceptors, I showcase that the effect is stronger and more robust for the pure non-banking relationship from both ends.

Paper 4 – *The Making of Safe Assets: London acceptance houses and the intermediation of bills of exchange, 1880-1914 - Olivier Accominotti, Aurelius Noble, and Stefano Ugolini*

This paper explores how London acceptance houses intermediated credit for money market borrowers in 1880-1914. These methods resulted in the private production of a global safe asset: the sterling bank bill. We rely on the archival records of two leading merchant banks – Kleinworts and Barings – and construct a comprehensive dataset of their clients' credit conditions. We show that London financial intermediaries relied on a diversity of sources to gather information about borrowers depending on their historical and social connections in the various countries. These diverse informational channels mapped into different methods of credit intermediation for borrowers located in different parts of the world. Our analysis sheds light on the sophisticated informational networks underpinning financial globalization in the 1880-1914 era.

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Abstract

SATURDAY 25th NOVEMBER

Salle P02 - UCLouvain Saint-Louis - Bruxelles - 119 rue du marais

Paper 5 – *Fiscal Dominance, Monetary Policy and Exchange Rates: Lessons from Early-Modern Venice - Donato Masciandaro, Davide Romelliand, Stefano Ugolini*

The impact of fiscal dominance on exchange rates has been relatively overlooked by the literature. We focus on an early unique experiment of freely floating State-issued money, implemented in Venice from 1619 to 1666. Building on a new hand-collected database from a previously unused archival source, we show that despite the Venetian government's reputation for fiscal prudence, the external value of the ducat was highly sensitive, and increasingly so, to episodes of automatic government deficit monetization through the Banco del Giro during the shocks of 1630 (outbreak of the bubonic plague) and 1648-50 (escalation of the Cretan War).

Paper 6 – *Belgian Financial Elites and Destructive Entrepreneurship in King Leopold's Congo Free State - Marc Deloof*

This paper investigates the role of financial elites in one of the worst colonial regimes in history. An analysis of director interlocks between firms operating in the Congo Free State (CFS) and Belgian firms listed on the Brussels Stock Exchange (BSE) reveals that the Belgian financial establishment was a crucial contributor to CFS entrepreneurship from the start, contradicting the idea that business in the CFS was driven by a few rogue financiers. While the number of CFS firms was small and their economic importance was limited, 40% of listed Belgian firms, accounting for more than half of the BSE stock market capitalization, had at least one CFS firm director on their board by 1900. Most of these directors also held directorships at Belgian banks. Almost all the large banks, including the Société Générale de Belgique, had two or more CFS firm directors on their board.

Paper 7 – Banking on Innovation: Listed and Non-listed Equity Investing, Evidence from Société Générale de Belgique, 1850-1934 - Gertjan Verdict

Société Générale de Belgique was the world's first universal bank. They pioneered another innovation: investing in non-listed equity. Using hand-collected data, we show that they earned significant positive risk-adjusted returns from 1850 to 1934. This offset the flat performance of listed equity holdings and the underperforming bond portfolio. Other competitors followed this strategy. As such, we argue that this innovation laid the groundwork for other institutions to invest in both listed and non-listed assets.

EVENT WEBSITE : CLICK HERE

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Simonis
Place Rogier
Jardin
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Rue Royale Ste-Marie
Rogier
Bd du Jardin botanique
Rue des Cendres
Rue du Marais
119
43
Botanique
Rue du Méridien
Rue de la Limite
109
6
Rue de la Blanchisserie
Rue de l'Ommegang
Place
De Brouckère
Rue Neuve
Boulevard
Pacheco
Gare du
Congrès
Rue du Fossé aux Loups
Madou
Bd de Berlaimont
Rue Royale
Parc
Arts-Loi
Rue de la Loi
Gare Centrale
Grand-Place
Parc Royal
Avenue des Arts
Rue Belliard
Trône
Rue d'Arlon
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