The chapters in this volume discuss the worldwide economic integration between 1850 and 1930, challenging the popular description of the period after 1918 as one of mere deglobalisation. The authors posit that markets were not only places of material exchange but also socially structured entities, shaped by the agency of individual actors and by complex structures of political and economic power. Economic transactions were supported by an array of different institutions, ranging from formalized regulations to informal relations of personal trust. They argue that these networks were strong enough to prosper even through and after World War I, in a political climate often hostile to foreign trade. The Foundations of Worldwide Economic Integration shows that institutionalism altered its shape in the face of circumstances that increasingly challenged international trade. By presenting case studies from various countries, this book offers a fresh perspective on crucial periods of economic globalisation.

Christof Dejung is Senior Lecturer and Researcher in the Department of History and Sociology at the University of Konstanz, Germany.

Niels P. Petersson is Senior Lecturer in History at Sheffield Hallam University, United Kingdom.
Cambridge Studies in the Emergence of Global Enterprise

Editors
Louis Galambos, The Johns Hopkins University
Geoffrey Jones, Harvard Business School

Other Books in the Series:
British Business in the Formative Years of European Integration, 1945–1973, by Neil Rollings
Banking on Global Markets: Deutsche Bank and the United States, 1870 to the Present, by Christopher Kobrak
The World’s Newest Profession: Management Consulting in the Twentieth Century, by Christopher D. McKenna
Global Brands: The Evolution of Multinationals in Alcoholic Beverages, by Teresa da Silva Lopes
Knowledge and Competitive Advantage: The Coevolution of Firms, Technology, and National Institutions, by Johann Peter Murmann
National Cultures and International Competition: The Experience of Schering AC, 1851–1950, by Christopher Kobrak
The Foundations of Worldwide Economic Integration

Power, Institutions, and Global Markets, 1850–1930

Edited by

CHRISTOF DEJUNG
University of Konstanz

NIELS P. PETERSSON
Sheffield Hallam University
Contents

Tables and Figures page ix
Contributors xi
Foreword by Harold James xv

1 Introduction: Power, Institutions, and Global Markets – Actors, Mechanisms, and Foundations of Worldwide Economic Integration, 1850–1930 1
Christof Dejung and Niels P. Petersson

PART I: LEGAL INSTITUTIONS AND PRIVATE ACTORS

2 Legal Institutions and the World Economy, 1900–1930 21
Niels P. Petersson

3 Against Globalisation: Sovereignty, Courts, and the Failure to Coordinate International Bankruptcies, 1870–1940 40
Jérôme Sgard

4 Credit Information, Institutions, and International Trade: The United Kingdom, United States, and Germany, 1850–1930 60
Rowena Olegario

PART II: COLONIAL MARKETS AND NON-WESTERN ACTORS

5 The London Stock Exchange and the Colonial Market: The City, Internationalisation, and Power 89
Bernard Attard

6 The London Gold Market, 1900–1931 112
Bernd-Stefan Grewe
Contents

7 The Boundaries of Western Power: The Colonial Cotton Economy in India and the Problem of Quality 133
Christof Dejung

8 The Colonised as Global Traders: Indian Trading Networks in the World Economy, 1850–1939 158
Claude Markovits

Pierre-Yves Donzé

PART III: THE FIRST WORLD WAR AND THE CONSEQUENCES FOR ECONOMIC GLOBALISATION

10 Transnational Cooperation in Wartime: The International Protection of Intellectual Property Rights during the First World War 205
Isabella Löhr

11 The Resilience of Globalisation during the First World War: The Case of Bunge & Born in Argentina 228
Phillip Dehne

12 Global Economic Governance and the Private Sector: The League of Nations’ Experiment in the 1920s 249
Michele d’Alessandro

Index 271
Tables and Figures

Tables

1 Share of Global Trade According to Areas
2 Credit Reporting Institutions in the United Kingdom, United States and Germany
3 Capital Subscribed to Issues by Overseas Governments in London
4 Gold Reserves of the Central Reserve Banks Before the First World War
5 Gold Prices in London
6 Proportion of Nonresidents among the Holders of Patents Filed in Certain Countries
7 Main Categories of Patents Registered in Japan
8 Main Sectors for Patents Registered in Japan
9 Main Categories of Patents Registered in 1905, According to Nationality
10 Trading Companies and Their Market Share in Argentine

Figures

1 World Exports, 1900–1934
2 Capital Subscribed to Issues by Major Colonial Governments in 1885–1930
3 Patents Registered in Japan, 1885–1930
4 Patents and Utility Models Registered in the Watch-Making Industry, 1885–1930
5 International Comparison of Book Production, 1890–1950
6 International Book Production Rates, 1890–1950
Contributors

Bernard Attard is Lecturer in Economic History in the School of Historical Studies at the University of Leicester. He is particularly interested in international investment before the Great Depression, the political economy of British overseas expansion, and the development of British settler societies. He has published several book chapters and articles on these subjects, most recently ‘Making the Colonial State: Development, Debt and Warfare in New Zealand, 1853–78’, Australian Economic History Review (2012). He is co-editor of a forthcoming special issue of the Journal of Imperial and Commonwealth History on Finance, Empire, and the British World, and is currently writing a study of indebtedness and imperialism in Queensland before 1930.

Michele d’Alessandro teaches Economic History at Bocconi University, Milan. He has published two company history books and written about the multinational operations of leading Italian banks in the first half of the twentieth century. He is currently in the process of publishing his PhD dissertation on the governance of international markets through the League of Nations in the late 1920s and early 1930s.

Phillip Dehne is Professor of History at St. Joseph’s College, New York. His book On the Far Western Front: Britain’s First World War in South America (Manchester, 2010), the first history of this conflict zone far from the European battlefields, expands the geographic parameters of First World War studies and explains how early twentieth-century globalisation could both intensify and mitigate Britain’s total warfare. He is presently working on a book that uncovers the activities of Lord Robert Cecil at the Paris Peace Conference in 1919.
Contributors


Pierre-Yves Donzé is Associate Professor at Kyoto University. He was born in Switzerland and studied history at the University of Neuchâtel, where he obtained his PhD in 2005, before studying as a postdoctoral Fellow in Japan and in the United States. He co-organised the session ‘Technology Transfer in the 20th Century: Institutions and Actors’ at the XVth World Economic History Congress at Utrecht (2009) and has recently published *History of the Swiss Watch Industry from Jacques David to Nicolas Hayek* (Peter Lang, 2011). He is currently working on an economic and business history of medical technologies in Japan from a global perspective.

Bernd-Stefan Grewe is Professor of Modern History at the University of Education in Freiburg, Germany. His research interests include environmental history (*Der versperrte Wald*, Köln, 2004), global and international history (Project: The Global History of Gold in the Twentieth Century), material culture (*Luxury in Global Perspective: Objects and practices*, edited with Karin Hofmeester, Oxford, forthcoming) and didactics of history.

Harold James is Professor of History and International Affairs in the Woodrow Wilson School, Princeton University. His most recent works are *The End of Globalization: Lessons from the Great Depression* (Cambridge, MA, 2001, which is also available in Chinese, German, Greek, Japanese, Korean and Spanish); *Europe Reborn: A History 1914–2000* (Harlow, 2003); and *The Roman Predicament: How the Rules of International Order Create the Politics of Empire* (Princeton, 2006). In 2004 he was awarded the Helmut Schmid Prize for Economic History, and in 2005 the Ludwig Erhard Prize for writing about economics. Professor James is currently working on a book on the history of the corporation in modern Europe, a study of the 1929 crash and a study of the history of European monetary integration.
Contributors

Isabella Löh is Research and Teaching Assistant in the Department of History at the University of Heidelberg. Her areas of research include the history of intellectual property rights, the history of international organisations and processes of globalisation and transnationalisation in the nineteenth and twentieth centuries. Recent publications include *Die Globalisierung geistiger Eigentumsrechte. Neue Strukturen internationaler Zusammenarbeit, 1886–1952* (Göttingen, 2010) and, forthcoming, *The Propertization of Culture and Knowledge: Global Governance of Intellectual Property Rights*, a special issue of the journal *Comparativ*, co-edited with Hannes Siegrist.


Rowena Olegario is a Senior Research Fellow and Case Study Editor at Said Business School, University of Oxford. She is the author of *A Culture of Credit: Embedding Trust and Transparency in American Business* (Cambridge, MA, 2006). She is currently writing a history of credit in America.

Niels P. Petersson is Senior Lecturer in history at Sheffield Hallam University. His research interests include imperialism, globalisation and more recently, transnational social history. Selected publications include *Anarchie und Weltrecht. Das Deutsche Reich und die Institutionen der Weltwirtschaft, 1890–1930* (Göttingen, 2009) and, with Jürgen Osterhammel, *Globalization: A Short History* (Princeton, 2005).

Jérôme Sgard holds a PhD in Economics from Université de Paris-X-Nanterre. He is a Professor of Political Economy at Science-Po, affiliated to the Centre d’Etudes et de Recherches Internationales (CERI). Before that he was a senior researcher at CEPII, also in Paris, and an Associate Professor in Economics at Université de Paris-IX-Dauphine. During the 1990s he worked on economic reforms in Eastern Europe and Russia (Europe de l’Est, la transition économique, 1997), and on financial crises in emerging economies (see L’Economie de la Panique, 2002).
Since then his research interests have focussed on the architecture and crisis of markets as seen from the perspective of their microregulators: judges, arbiters and bureaucrats. This covers, for instance, the case of IMF policies vis-à-vis sovereign debts; private bankruptcies in nineteenth-century France; or the development of early industrial policy in eighteenth-century France.
Describing the very dynamic global trade of the second half of the nineteenth century and the early twentieth century has become a standard part of the repertoire of economic historians. I like to think in terms of globalisation cycles, with long periods of increased interchange of goods and flows of people, capital and ideas. But then something happens, and globalisation is interrupted. Many people feel that there has been too much interaction, and they draw back from the global setting and look instead for protected areas in which they can be safe from global threat and global devastation. Politics looks for national rather than international solutions to pressing problems and concerns, and international cooperation becomes tense and difficult, if not impossible. At each stage in the globalisation cycle, we tend to extrapolate and to think that this particular phase will last forever: whether it is the confident upswing or the stagnation and anger of the downward movement of the cycle.

The breakdown of globalisation has often been studied, and it is usually seen as a consequence of the interplay of policy responses that seek to limit the extent of international connectedness. By contrast, many people think of the integration or upswing phases as happening automatically, as a result simply of the unplanned magic of myriad market interactions.

But are the ups and downs of globalisation as clearly separable as such a model would suggest? The reactions that bring about the downturn have their origins in the upswing phase. Globalisation is not only a process that occurs somewhere out there – in an objective and measurable world of trade and money. It also happens in everyone’s minds, and that part of globalisation is often more difficult to manage. To understand both the process and our reactions to it, we need a historical sense. If we want to
understand why it is sometimes threatened, we need to know what makes it work, what drives it. This is what this fine book provides.

The chapters collected here show how much the establishment of globalisation follows from choices, plans and strategies. Integration does not in fact simply come out of nothing. Complex transactions and relations in a globalised society and economy require an element of certainty that is provided by a simple capacity to make equivalences.

The most obvious form of this security is the stability that is provided by a secure monetary standard, and globalisation upswings have always had a widely recognized and shared international measure of value. The late nineteenth century was characterized by Charles de Gaulle in retrospect as the époque du trois pour cent, the absolute confidence that government and other high-quality bonds would produce a stable and predictable return of 3 per cent. The foundational belief is that market prices send an intelligible signal, and it has political implications. Markets limit the capacity of governments to behave badly. Yet markets are also not purely automatic mechanisms, but depend on a host of conventions and institutions. What ideas and what interests drove the participants, and what was the relationship between ideas and interests? This is the question that already fascinated Max Weber at the height of the late nineteenth-century era of globalisation.

The confidence that was at the core of the globalisation belief in universal connectedness led many people to extend credit and take larger and larger risks. In short, the expectations aroused by globalisation set off credit booms, and the downswing of deglobalisation came with the disappointment of bubbly expectations and then with financial collapse. Raised expectations produced the sense that anything and everything was possible; in other words, euphoria ensued that lacked rational foundations. The power of markets in this case meant that alternative disciplinary methods, in the form of state regulation or in the imposition of a complex nonstate system of authority in a corporation, also began to be eroded. There was then a universal questioning of every type of value.

One of the most fascinating problems occurs when trying to determine how the trust or confidence arises that allows people to undertake risky transactions over long geographical distances, often across multiple political and judicial settings. It may stem from more information about business partners, made available through new organisations, through highly complex business corporations, credit agencies or official institutions that transmit and translate market signals into usable or reliable
information. Weber gave an answer in terms of religious ideas and religious communities, in particular the gathered Protestant congregations of Northern Europe and North America. How do all of these institutional ways of managing space and time reduce transaction costs? How far do public authorities shape the institutional possibilities, and what kinds of cooperation are possible among states that see themselves in competition with each other? What are states doing when they manage their relations with each other and they work on international agreements?

The chapters in this collection also raise the intriguing question of how separable the globalisation and deglobalisation phases are from each other. Can we be in a period of deglobalisation while imagining that the world is ever more globalised? Do crises also produce countervailing forces? Finally, one of the greatest paradoxes is that it is military conflict that usually ends globalisation cycles and unleashes the backlash. The globalised world of the eighteenth century broke apart with the wars of the French Revolution and Napoleon, and the First World War gave a bad shock to the assumptions of early twentieth-century globalisers. Yet military activity and the imperialism of which it is an expression are also social processes that are transnational and globalised. The authors in this volume rightly do not see the First World War and its aftermath as simply a break in globalisation but rather as a turning of its direction and even as an element of continuity. Violence, as well as economic interaction, is contagious and spills over from country to country and from continent to continent.