Finance & History Workshop, 20 January 2023

Antwerp University, Hof van Liere, Prinsstraat 13b (Willem Elsschotzaal, 2nd floor)

09.00-09.30 Welcome Coffee and Tea

09.30-10.50 Stocks and Bonds

Kevin van Mencxel (with Jan Annaert and Marc Deloof), "The Corporate Bond Risk Premium: New Data and Evidence from The Origin of Corporate Default"

Clive Walker (with Kuntara Pukthuanthong), "Going Viral, A Century of Financial Narratives and Their Impact on the Stock Market"

10.50-11.20 Coffee and Tea

11.20-13.00 Different Worlds?

Maanik Nath, "Capital and the 'Cooperative' in Rural India, 1904-1914"

Joost Jonker (with Oscar Gelderblom), "A tale of two financial systems: a comparative analysis of the United Provinces and the southern Netherlands, 1500-1800."

13.00-14.00 Lunch

14.00-15.20 The United States in the 19th Century

Narly Dwarkasing (with Mintra Dwarkasing and Yashvir Gangaram Panday), "Evolution of Black owned banks in the USA"

Jean Lacroix and Kim Oosterlinck (with Kris Mitchener), "Secession in Real Time: Evidence from the U.S. Civil War"

15.20-15.40 Coffee and Tea

15.40-17.00 Office Holders

Victor M. Gómez-Blanco, "A Safe Asset in Early Modern Spain (1543-1714)"

Philip Fliers (with Robin Adams, Michael Aldous, and John Turner), "Amateurs to Fat Cats? British CEOs in the 20th Century"

17.00-18.00 Drinks

Abstracts

Kevin van Mencxel (with Jan Annaert and Marc Deloof) "The Corporate Bond Risk Premium: New Data and Evidence from The Origin of Corporate Default"

This paper produces new long-run estimates of the rate of default during the early history of the corporate bond market. Estimates are obtained using a novel, hand-collected dataset of bonds by firms on the Brussels Stock Exchange, the earliest financial center documenting corporate bond default experience. We find a long-term average default rate of 1.7% per annum for 1838–1939. Average annual default losses amount to approximately 65 basis points. Credit spreads are roughly thrice as large as default losses, resulting in an average credit risk premium of about 113 basis points. Returns on junk bonds exceed those of low yield bonds by 6.5% per annum. Our findings provide intriguing evidence that bonds outside the US during the historic bond market were not as safe as previously believed and that the pricing of credit risk by financial markets is consistent over time. The high credit risk premium obtained for US bonds thus appears to be the rule rather than the exception.

Clive Walker (with Kuntara Pukthuanthong), "Going Viral, A Century of Financial Narratives and Their Impact on the Stock Market"

We identify viral narratives using the Financial Times from 1910-2021. We find that discourse in the financial press changed markedly during the 20th century with geopolitical narratives displacing financial narratives from the 1920s onwards. Out-of-sample we find that it is the geopolitical rather than financial narratives that correlate with future returns. By controlling for time-specific language in the construction of our topics we identify narratives that permeated the discussion of all topics in the financial press at any point in time and thus generate a viral index. The issues that contributed most to this index were those of war, financial crises, pandemic and geopolitics. We find that increased virality in the financial press is associated with subsequent higher returns. We take this as supporting evidence that viral narratives affect financial markets. Abstract will follow

Maanik Nath, "Capital and the 'Cooperative' in Rural India, 1904-1914"

Credit cooperatives in India have been mismanaged and discriminatory in their lending practices for over a century. This paper traces the source of the problem to the design of the cooperative enterprise. Cooperatives were a top-down initiative in India. Colonial officials installed credit cooperatives in villages from 1904. Analysing new sources from three major provinces, the paper shows that government agents managed, registered and regulated cooperative enterprises, discouraging peasants from saving or investing in their local cooperative. The government expanded responsibilities held by officials to substitute for the lack of private participation in the decade after the first registered cooperative, a period that saw large public investment and rapid expansion in the number of cooperatives. The quasi-public structure combined political, profit and developmental interests, leaving a legacy of corruption in the cooperatives sector.

Oscar Gelderblom and Joost Jonker, "A tale of two financial systems: a comparative analysis of the United Provinces and the southern Netherlands, 1500-1800"

Under Charles V the Low Countries formed a single political unit. Moreover, the Emperor's government strove to harmonize the countries' legal, fiscal, and financial institutions and arrangements. When the Dutch Revolt broke them in two, the countries developed markedly different financial systems. What drove that divergence and did it matter for business finance and economic growth? The paper focuses on that last question, presenting comparative case studies of three key economic sectors.

Narly Dwarkasing (with Mintra Dwarkasing and Yashvir Gangaram Panday), "Evolution of Black owned banks in the USA"

We document the evolution of so called Black Banks (i.e. banks owned by African Americans and other minorities) in the US and study their role in mitigating the racial wealth gap. The literature is divided as to what extent banks focused on catering specific minorities can help overcome financial frictions and reduce economic disparities. This study provides fresh evidence on the economic benefits of black banks over the long run.

Jean Lacroix and Kim Oosterlinck (with Kris Mitchener), "Secession in Real Time: Evidence from the U.S. Civil War"

In this paper, we propose using sub-sovereign bonds to understand the dynamic process of secession by considering the canonical case of the secession of southern states from the United States in the 1860s – events that led to civil war. Given its high-frequency, sub-sovereign data allows one to study secession in real time and to understand the critical early phase of secessionist movements. In particular, as the form of the Confederacy was not known in late 1860 – we are able to observe how seceding states coordination shaped the secession risk they faced on markets. Our results show that after the election of President Lincoln, the New York Stock Exchange integrated a secession risk for non-Northern states. Further estimates imply that this secession risk decreased with the number of states seceding – as the Confederacy became a more sustainable outside option for seceding States. Similarly, financial markets deemed secessions less risky when they had been validated by a popular vote beforehand. We interpret these results as evidence that not only heterogeneity between seceders and non-seceders and size explain secession. Strategic interactions may foster successful secessions: they affect the viability of the outside option and the support base for secession within the seceding regions.

Victor M. Gómez-Blanco, "A Safe Asset in Early Modern Spain (1543-1714)"

This article analyses how offices became financial assets during the early modern period in Castile (Spain). A contract innovation, repurchasing agreements, allowed office investors to transform prohibited leases into legal sale and purchase transactions. In addition, the combination of repurchasing agreements, offices and mortgages opened the way to more sophisticated financial vehicles such as repos. The paper also demonstrates that offices fulfilled all conditions to be considered as safe assets. Simplicity, publicly known characteristics, stable yields, no physical depreciation, and screening controls (the Crown and local notaries), avoided offices to suffer from adverse selection. Moreover, liquid secondary markets gave to these assets a quasi-moneyness condition. Finally, the determinants of office prices are analyzed by using several hedonic price models. In particular, it is confirmed through an AMG model that offices had higher value during worsening economic times (ß negative condition holds true).

Robin Adams, Michael Aldous, Philip T. Fliers and John Turner, "Amateurs to Fat Cats? British CEOs in the 20th Century"

Of late, the corporate leader, be it Chief Executive Officer (CEO) or Chairman, is a neglected figure in the business and economic history literature. As a theme or unit of analysis the corporate leader is significantly less attended to than say the entrepreneur. This is surprising considering the rich historical literature around business elites, and the widespread study of the role of CEO and those inhabiting it in the disciplines of management, economics, and finance, and interest in these figures in public discourse. This paper addresses this gap through a study of British Corporate leaders across the 20th century. The paper finds that British CEOs became increasingly professional in the years prior to 1920, with individuals from elite private schools and elite universities declining in number. They were replaced by individuals with specialist training and experience, marked by a rise in those trained as accountants in the years after 1945. There was a strong preference for CEOs with firm and industry insider experience, with significant numbers of 'lifers' becoming CEO.

Participants

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