

## TABLE OF CONTENTS

THE GREAT REVERSALS: THE POLITICS OF FINANCIAL DEVELOPMENT IN THE 20 <sup>TH</sup> CENTURY .....	5
1. Introduction .....	5
1. Evolution of financial development over the twentieth century .....	9
1.1. Historical differences in reporting data .....	9
1.2. Various measures of financial development.....	10
1.3. Data sources.....	12
1.4. Stylised facts.....	12
2. The political economy of financial development .....	16
2.1. The necessity for government intervention .....	16
2.2. The political economy of financial development .....	16
2.3. Why is financial repression a better way to protect incumbents' rents? .....	17
2.4. What determines outcomes?.....	18
2.5. Financial development and openness .....	19
3. A test of the political theory of financial development .....	20
3.1. Preliminary concerns .....	20
3.2. Issues in 1912 .....	22
3.3. Equity issues in 1999 .....	23
3.3. Issues in intermediate years.....	23
4. Political backlash .....	24
4.1. Competitive markets and insurance.....	24
4.2. The turmoil caused by wars and depression .....	25
4.3. The political response .....	27
4.4. Autarky and its effect on the financial sector .....	28
4.5. Intervention in the financial sector .....	29
4.6. The demise of financial markets in Japan .....	29
4.7. Sweden .....	31
4.8. Summary .....	32
5. The aftermath of World War II and the resilience of financial markets in Europe .....	32
5.1. Bretton Woods and restrictions on capital movements .....	32
5.2. The breakdown of the Bretton Woods system.....	33
6. Discussion and conclusion .....	34
BIBLIOGRAPHY .....	47

## Tables

1. Evolution of the different indicators of financial development
2. Evolution of the ratio of deposits to GDP
3. Evolution of fraction of gross fixed capital formation raised via equity
4. Evolution of stock market capitalisation over GDP
5. Evolution of number of listed companies per million people
6. Issues to GDP in 1912
7. OLS regression for cross-section of countries in 1998-99

## Figures

1. Issues in 1913 vs. industrialisation
2. Issues in 1913 vs. industrialisation \* openness
3. Capitalisation in 1913 vs. interaction
4. Listed companies per M in 1913 vs. interaction
5. Equity issues vs. per capita GDP \* openness, 1913