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978-0-521-63317-8 - Global Capital Markets: Integration, Crisis, and Growth

Maurice Obstfeld and Alan M. Taylor

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## **Global Capital Markets: Integration, Crisis, and Growth**

This book presents an economic history of international capital mobility since the late nineteenth century. A preamble introduces the major issues and examines developments in the eighteenth century and before, the important historical preconditions that set the stage for a global market in the nineteenth century. Theory and empirical evidence are used to evaluate the evolution of globalization in financial markets. A discussion of institutional developments focuses on policies toward capital controls and on the pursuit of domestic policy objectives in the context of changing monetary regimes. Governments face a fundamental *macroeconomic policy trilemma*, which forces them to trade off among their conflicting goals, with natural implications for capital mobility. Understood in this way, the present era of globalization can be seen, in part, as the resumption of a liberal world order that was established in the years from 1880 to 1914. Much has changed along the way. Marking a reaction against the old order, the Great Depression emerges as the key turning point in the recent history of international capital markets and offers important insights for contemporary policy debates. Today's return to a world of globalized capital is marked by great unevenness in outcomes, in terms of both participation in capital-market integration and in the distribution of risks and rewards. More than in the past, foreign investment flows largely from rich countries to other rich countries. Yet the burden of financial crises falls most harshly on developing countries, with costs for everyone. After a century in which markets closed and then reopened, this book brings together what we have learned about the dynamics of the international macroeconomic order.

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# Global Capital Markets

## Integration, Crisis, and Growth

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ALAN M. TAYLOR

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To Leslie Ann, Eli, Clara, and Zachary

*M. O.*

To Claire and Olivia

*A. M. T.*

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