GENERAL AND MISCELLANEOUS


Much has been written on the economics of the panics of 1873; much less has been written on how contemporaries actually experienced and interpreted them. In Transatlantic Speculations, Hannah Catherine Davies helps to fill this gap through her comparative exploration of developments in Austria, Germany, and the United States. Financial markets crashed most spectacularly in these countries, making them the natural subjects for this impressive study of what she stresses were three inter-related panics rather than one all-consuming Panic. Playing on the dual meanings of the term “speculation”—the commercial act and the mental activity—Davies sets forth on a wide-ranging discussion, investigating how people made sense of financial markets, how they understood global connections, and how they viewed the morality of money making. Davies argues that investors, officials, and journalists made the world of finance comprehensible by “transforming the abstract into the personal and individual, the virtual and intangible into the tangible and material; and the transnational into the national and local” (p. 145). In each country, contemporaries employed these methods of concretizing finance differently, with implications for how they experienced and responded to the panics. This book offers a compelling portrait of societal views on finance at a critical moment in global economic history.

In her chapters on the pre-crisis years, Davies sets the stage by exploring the massive speculation in railroads that would lead to boom and bust, using newspapers and investment manuals, among other sources, to trace the concomitant growth of financial markets (which had been revolutionized by the completion of the transatlantic cable in 1866). She notes that journalists personalized finance—attributing market movements to certain well-known operators—much more in America than in Germany and Austria, where reporters tended to describe events as the result of anonymous forces. There is also a fascinating account of the development of stock market tables in newspapers and how consumers of the information found them both useful and bewildering.

As for the actual panics, Davies provides a chronology of events and then focuses on the extent to which contemporaries found the financial movements a result of national as compared to international forces. She claims that, while Europeans were more likely than Americans to see the crisis as transnational—in part because Wall Street was already captivating the world—the default was still to think in national terms. But the very struggle to determine whether or not global forces caused the distress in markets demonstrated the potential power of these forces: “Even where people downplayed the likelihood or effects of contagion,” she writes, “they, at the same time, unwittingly demonstrated that transnational economic integration had become a force to reckon with, affirming its significance even where they sought to deny it” (pp. 77–78). Davies’ skill is on full display here as she leads the reader through the many nuances of real-time reactions to financial panic.

The final chapters investigate consequences of the crash. In the United States, for example, there were increased calls for returning to the gold standard, which had been
abandoned during the Civil War. The country ultimately did so in 1879, in line with the timetable set by the Specie Resumption Act of 1875. One of the more interesting arguments relates to the rise of anti-Semitism in Germany. Davies contends that because Germans often described financial developments in anonymous terms, the panic occurred in an environment ripe for conspiracy—in this case, that a cabal of Jewish capitalists manipulated market movements—to thrive. This section also has a discussion of criminal prosecutions of fraudulent promoters and a comparison of the substantial reform of corporate law in Germany, which sought to increase shareholder protections and cement unification, to the relatively unchanged laws in the United States, where states continued to race to the bottom in the effort to attract corporations.

This book might benefit in two main ways. First, Davies skillfully compares developments across countries, but the reader runs into difficulty when comparing across time. There is little relation of the panics of 1873 to earlier and later crises, and so it is hard to grasp to what extent the conclusions apply uniquely to the moment at hand and to what extent they represent broader trends. Second, on a narrower point, Davies’ chapter on monetary debates briefly touches on a fascinating episode in Gilded Age America, when the Secretary of the Treasury used a secret stockpile of greenbacks to purchase bonds and finance expenditures in order to alleviate tight market conditions. A more in-depth discussion of this largely forgotten experiment would help make clear that the controversies in the 1870s were not just about gold versus paper but also about who would have the power to manage the currency supply in a paper regime, a preoccupation which was at the heart of the contemporary discourse on money.

Transatlantic Speculations is at once an economic, cultural, and legal history. Readers who are interested in how different societies come to grips with the often overwhelming force that is finance will appreciate Davies’ exhaustively researched and well-written book.

Max Harris, Independent Scholar


In this timely and thoroughly researched book—destined to become an obligatory reference in the field—Jerome Roos takes up the unsettled question of why, even on the verge of collapsing under the weight of crippling sovereign debt burden and facing the threat of social turmoil, countries do not simply default. The question, which has haunted economists since Eaton and Gersovitz’s (1981) seminal article “Debt with Potential Repudiation: Theoretical and Analysis” (Review of Economic Studies, 48[2], 289–309) inspired a growing theoretical and empirical literature elaborating on the likely costs of default. According to Roos, none of the explanations advanced—reputation, gunboat diplomacy, trade sanctions, democratic institutions—has been able to withstand empirical scrutiny.

The book rises to the challenge and, building on the insights of sociology, proposes an insightful critical political economy framework. In their overly simplistic assumption