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Abhandlungen

Hans-Michael Trautwein: International Lending of Last Resort in Historical and Theoretical Perspectives: Introduction / Internationale Kreditvergabe der letzten Instanz in historischen und theoretischen Perspektiven: Einleitung

Abstract: This paper provides an introduction to the special issue on international lending of last resort. Starting from debates about rescue operations and unconventional policies of major central banks in the contexts of the Global Financial Crisis and the European Debt Crisis, it draws attention to recurring controversies about trade-offs between averting critical contagion in financial markets and avoiding moral hazard. The need for international lending of last resort in strongly interconnected financial systems is more than ever evident, but there is no clear consensus on how to manage it. The contributions to this special issue put relevant issues in historical and theoretical perspectives.

JEL-Codes: B 13, B 27, E 42, E 58, F 33, F 45, G 01

Keywords: financial crises, lending of last resort, monetary union, gold standard, central bank cooperation, Finanzkrisen, Kreditvergabe der letzten Instanz, Währungsunion, Goldstandard, Zentralbankkooperation

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Emmanuel Carré and Laurent Le Maux: Financial Instability and International-Lender-of-Last-Resort Theory from the Gold Standard to the Dollar System / Theorien der finanziellen Instabilität und Kreditvergabe der letzten Hand vom Goldstandard zum Dollarsystem

Abstract: We identify two approaches to financial crises in the history of political economy, namely, the exogenous approach whereby financial crises are sudden events, and the endogenous approach whereby they arise from a long process. In focusing on the endogenous approach, we study the contributions by Thomas Tooke, Ralph Hawtrey, Hyman Minsky and Charles Kindleberger to the lender-of-last-resort theory, especially in international contexts, under the gold standard and the dollar system. The function of the lender of last resort broadens institutionally (depending on the type of securities and on the institutions issuing or holding them) and internationally (depending on jurisdiction and on the type of institutions ultimately requiring international liquidity).

JEL-Codes: B 26, E 58, F 33, G 01

Keywords: International lender of last resort, gold standard, dollar system, financial instability, Goldstandard, Dollarsystem, finanzielle Instabilität

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Dieter Ziegler: A Private Bank as Lender of Last Resort Under the Classical Gold Standard. The Business of the Bank of England, 1844–1913 / Ein privatwirtschaftlicher Lender of Last Resort unter dem klassischen Goldstandard. Die Geschäftspolitik der Bank of England 1844–1913

Abstract: The author argues that the idea, that the Bank of England accepted Walter Bagehot's recommendations from around the 1870s onwards and adopted the role of lender of last resort for the British financial markets, is a misconception. The published balance sheets give this impression, but a closer analysis of the balance sheet shows that the Bank of England never lost sight of the profit motive and had tied its own hands through the composition of its asset portfolio in order to be able to intervene effectively in the case of crisis. Even the only serious threat to financial market stability in the period under review, the Baring crisis of 1890, could only be mastered thanks to a broad rescue operation, coordinated solely by the Bank of England. This experience obviously did not contribute to a lasting change in the orientation of the Bank’s business policy until the First World War.

JEL-Codes: G 01, G 11, G 18, N 13, N 23

Keywords: Bank of England, Lender of last resort, gold standard, Walter Bagehot, Goldstandard

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Frank Decker: The Monetary Union of Australia, New Zealand and the United Kingdom – Its Operation, Fragmentation and Break-up / Die Währungsunion zwischen Australien, Neuseeland und dem Vereinigten Königreich – Arbeitsweise, Zersplitterung und Zerfall

Abstract: This article examines the monetary arrangements between Australia, New Zealand and the United Kingdom from the 1820s to the 1930s. It is argued that the three countries formed a monetary union for most of this period. A new analysis of inland and London exchange rates demonstrates that the union achieved a high degree of uniformity and stability, and that an international branch network of competing, private banks could successfully integrate vastly different geographic and economic areas. It is shown that the union's break-up in the 1930s was the result of a political decision to create separate and devalued Australian and New Zealand currencies in order to mitigate some of the impacts of the Great Depression. International lending of last resort only played a limited role and helped to fix exchanges between the newly separated currencies after 1932.

JEL-Codes: E 42, E 58, F 31, F 33, F 36, N 20

Keywords: monetary unions, sterling area, sterling exchange standard, Australian pound, New Zealand pound, Währungsunion, Sterlingunion, Wechselkurssysteme, australisches Pfund, neuseeländisches Pfund

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Nicolas Barbaroux: The Latin Monetary Union Experience (1865–1926): French Views on Monetary Union and Lending of Last Resort in Retrospect / Die Erfahrungen mit der Lateinischen Währungsunion (1865–1926): Französische Ansichten zur Währungsunion und zu Lending of Last Resort im Rückblick

Abstract: The Latin Monetary Union (hereafter LMU) was established in 1865 between France, Italy, Belgium and Switzerland. The agreement provided for the adoption of a common monetary base consisting of specie, and the adoption of the free circulation of gold and silver coins among them, whatever the issuing country. Despite its original goal, the minting of silver coins was subject to numerous restrictions (especially between 1874 and 1876) before being fully suspended by article nine of the convention of November 5th 1878. The necessity for a lender of last resort quickly appeared in practice, even though the 1865 convention, and its numerous amendments, did not mention it in theory. The present article looks at how the idea of the lender of last resort was discussed in the context of the Latin Monetary Union. Specifically, it focuses on two opposing views on the LMU and its problems, as adopted by French economists at the time. The article concludes that the Banque de France played a crucial role in safeguarding the LMU. Referring to Bordo's 1990 typology

of lenders of last resort, we also add a fifth type, that of *converter of last resort*, to characterise the specific role played by the Banque de France.

JEL-Codes: E 42, N 43, B 12

Keywords: monetary union, lender of last resort, bimetallism, French liberal school, Währungsunion, Bimetallismus

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Anders Ögren and Hans-Michael Trautwein: Central Bank Cooperation and Lending of Last Resort in the Scandinavian Monetary Union / Zusammenarbeit der Zentralbanken und Lending of Last Resort in der Skandinavischen Währungsunion

Abstract: The functioning of multi-nation monetary unions with several central banks is conditioned by many factors and considerations, such as the capacity to deal with crises, the political will and operational skill to foster financial integration and to develop a mix of rules and discretion in the cooperation between the central banks. The Scandinavian monetary union (SMU) between 1873 and 1931 is a case in point for illustrating the importance of these factors and considerations. We examine the policies implemented in the Scandinavian countries to deal with asymmetries of payments flows and with financial crises at three levels: in an account of major crises that required lending of last resort, in a study of the clearing and settlement mechanism established in the union, and in a survey of contemporary economists' views on lending of last resort and cooperation in the SMU.

JEL-Codes: B 13, E 58, F 45, G 01

Keywords: monetary union, central bank cooperation, banking crises, lending of last resort, Scandinavia, Währungsunion, Zentralbankkooperation, Bankkrisen, Skandinavien

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Dominique Torre and Nikolay Nenovsky: Debates, Plans and Interventions to Overcome the 1931 Banking Crisis in Romania and Bulgaria / Debatten, Pläne und Interventionen zur Überwindung der Bankenkrise von 1931 in Rumänien und Bulgarien

Abstract: In the summer of 1931, the Austro-German banking crisis spread to Romania and Bulgaria. In the Romanian case, the management of the crisis confronted three types of protagonists – politicians, bankers and central bankers – and positions about the relevant attitude to adopt, in particular to avoid or not the Marmorosch Blank Bank bankruptcy. In Bulgaria, the management of the crisis was more consensual. The intervention of the Bulgarian National Bank allowed the refunding of the more important banks, while a further 34 were declared bankrupt and smaller ones silently disappeared. One of the largest banks in Bulgaria, Credit Bank, was rescued. Archive documents, reports of participants and comments from contemporaries, all emphasize the different conceptions of the function of lender of last resort as held by the different protagonists facing this systemic crisis.

JEL-Codes: N 24, G 33, E 58

Keywords: 1931, lender of last resort, Balkan economic history, banking crisis, twin crises, Wirtschaftsgeschichte des Balkans, Bankenkrise, Zwillingskrise

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Hugh Rockoff: O.M.W. Sprague (the Man Who “Wrote the Book” on Financial Crises) meets the Great Depression / O.M.W. Sprague: der Mann, der "das Buch" über Finanzkrisen verfasst hatte, aber die Weltwirtschaftskrise nicht erkannte

Abstract: When the Great Depression struck the United States, O.M.W. Sprague was America's foremost expert on financial crises. His *History of Crises under the National Banking System* is a frequently cited classic. Had he diagnosed a banking panic and called for

an aggressive response by the Federal Reserve, it might have made a difference; but he did neither. Sprague's misdiagnosis had, I argue, two causes. First, the crisis lacked the symptoms of a panic, such as high interest rates in the New York money market, which Sprague had identified from his studies of previous crises. Second, Sprague's macro-economic ideas led him to conclude that increasing the stock of money would be of little help once a depression was underway. Sprague's main concern was that abandoning the gold standard would intensify the crisis, a concern that led him to resign his position as advisor to the U.S. Treasury to protest Roosevelt's gold policy.

JEL-Codes: B 31, G 01, E 44, E 58

Keywords: O.M.W. Sprague, Great Depression, banking panic, financial crises, Federal Reserve, Weltwirtschaftskrise, Bankenpanik, Finanzkrisen, Geldpolitik

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Perry Mehrling: "Where's my swap line?" A Money View of International Lender of Last Resort / „Wo ist meine *Swap-Line*?" Ein internationaler *Lender of Last Resort* aus Sicht der *Money View*

Abstract: The past two decades have seen the construction of a tiered system of international liquidity provision, the first tier including those whose credit is sufficient for a swap line with the Fed, the second tier including those who can offer acceptable collateral to the Fed, and the third tier including everyone else. It is a global dollar system, with the Fed operating de facto as the global central bank providing international lender of last resort support to the system. It is a system created not so much by conscious design, but rather as a pragmatic response to crisis, bit by bit over time.

JEL-Codes: E 58, F 33

Keywords: liquidity, lender of last resort, international banking, US Federal Reserve, Liquidität, internationales Bankwesen, US-Federal Reserve

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Forschungs- und Literaturberichte

Tao Chen and Jan Zofka: The Economy of the Sino-Soviet Alliance. Trade and Transfers Between Eastern Europe and China During the Early Cold War / Die Ökonomie der sino-sowjetischen Allianz. Handel und Transfers zwischen Osteuropa und China während des frühen Kalten Kriegs

Abstract: This article examines the research literature on the economic aspects of the “Sino-Soviet Alliance”, which lasted from the end of the Chinese Civil war until the Sino-Soviet split (1949-1960/63). The Soviet and Eastern European contribution to China’s industrialization, called the “largest technology transfer in human history” by some, still awaits detailed examination. This article aims to structure the field as well as inspire future research. The included studies range from on-the-ground microstudies of engineers at specific industrial construction projects to macro-perspectives on economic exchange, trade and governmental negotiations. In contrast to classical Cold War perspectives, which assume a primacy of (geo-)politics, the paper builds on more recent studies, arguing that economic rationales mattered in both the split and the forging of the alliance. The literature review suggests that the room for manoeuvre of actors beyond the Kremlin and party leaderships has to be measured anew, and that the impact of the alliance on Eastern Europe awaits further research. Finally, the influence of the *West* with its technologies and world markets becomes visible when these apparently exclusive East-East relations are examined more closely.

JEL-Codes: N 40, N 44, N 45, N 10, N 14, N 15, N 60, N 64, N 65

Keywords: Sino-Soviet alliance, Cold War economy, Socialist foreign economic policy, East-South relations, Socialist globalization, Sino-sowjetische Allianz, Ökonomie des Kalten Krieges, Außenwirtschaftspolitik sozialistischer Staaten, Ost-Süd-Beziehungen, Sozialistische Globalisierung

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