

The Global Securities Market: A History. By *Ranald C. Michie*. New York: Oxford University Press, 2006. x + 399 pp. Index, notes, bibliography, tables. Cloth, \$110.00. ISBN: 0-199-28061-4.

Reviewed by Priscilla Roberts

Ranald C. Michie's comprehensive history of the international market in securities, from its origins in Italy in the late twelfth century up to the present, is in most respects a stimulating tour de force, providing a major reassessment of the role of securities markets in the global economy. Eschewing the focus upon spectacular booms, busts, crashes, and scandals, Michie concentrates instead upon the unglamorous normal quotidian operation of trading in securities of all kinds, both stocks and bonds.

The chronological and geographic scope of this volume, which treats the securities market as a worldwide system, is indeed ambitious. This broad perspective also allows Michie to adopt a revisionist stance on securities markets, one at variance with the traditional approach of many economists, who have suggested that they are at best of marginal economic value, constituting a haphazard, inefficient, and sometimes even detrimental means of allocating capital. Michie depicts the securities market overall, not so much as a mechanism whereby businesses can raise the necessary funds to finance their establishment or expansion, but rather, as a mechanism vital to the stability of the global economy. In Michie's view, the principal immediate function of the securities market lies in giving the owners of surplus funds a variety of outlets and options to employ such spare cash profitably while keeping it readily available.

Michie's claims for the value of this process, however, go far beyond its role in simply facilitating the use or investment of money that would otherwise have lain idle. In his view, during the period from 1850 to 1914, the securities market acted as a vital regulatory mechanism in providing the world economy "with a pool of securities shared by the main markets and capable of moving easily, quickly, and cheaply between the different financial centers in response to minute variation in price" (p. 153). Michie argues that it was primarily the existence of such instruments, not—as conventional

wisdom would have it—the international gold standard, that stabilized the pre–World War I financial and economic system. Local, national, and global securities markets were deeply integrated and together constituted a comprehensive network that, thanks to speedy telegraphic and telephone communications, could readily shift funds around the world in almost instantaneous reaction to changing conditions.

In Michie’s account, the pre-1914 global securities market was self-regulating in another sense: it was self-policing, and its institutions were relatively, though not entirely, exempt from government intervention. This meant that such controls and supervision as existed developed largely in response to the market’s own requirements. Michie goes so far as to hold ill-considered state intervention or other government measures responsible, more often than not, for the weaknesses of securities markets and even the panics and crashes they endured. From 1914 until around 1970, the global securities market lost the ability to fulfill the functions it had performed with growing success over approximately the previous sixty years. Like John Maynard Keynes and recent historians of globalization, Michie considers World War I the villain in the piece—more specifically, the vast expansion in government intervention, statism, and controls precipitated in various ways by that conflict. It was this situation that ultimately helped to precipitate the Great Depression of the 1930s. The latter in turn, together with World War II, brought additional state regulation of securities markets and the institutions running them, developments only compounded by the dirigiste attitudes of most post-1945 western governments. For the better part of the twentieth century, there existed little in the way of a genuinely global securities market, as opposed to separate national markets.

Only from the 1970s onward did a global securities market once again begin to emerge, fueled in particular by the development of a Eurodollar bond market based upon London, a city that became a magnet for branches of ever greater numbers of non-British banks and other financial firms that were not subject to U.K. exchange controls. Growing numbers of governments, spearheaded by those of Britain and the United States, whose leaders were now ideologically anti-interventionist, and Japan, dismantled most barriers to the free movement of money and capital. The deregulation of the London and eventually the New York stock markets, the emergence of giant and increasingly

transnational financial services institutions, and the ending of the cold war, likewise facilitated the reestablishment of a genuinely global securities market. Between 1990 and 2005, global investment in securities soared almost from \$21.2 trillion, or 117 percent of world gross domestic product (GDP), to \$95 trillion, or 216 percent of world GDP, and an increasing proportion of this overall total was devoted to bonds rather than stocks. In an environment that now enabled securities to move freely around the world, the international financial system could weather major crises, such as the Asian economic difficulties of the late 1990s, far more successfully than had been the case even in the 1980s.

While dominated by one overarching theme, Michie's massively researched, nuanced, and finely crafted study also gives a wealth of information on the history of individual stock exchanges and dealings in securities around the world. One caveat might be that this focus on analytical history has been carried to extremes, making the volume somewhat dry. One wishes that a few more colorful characters, not just King William III of Britain and John Law of South Sea Bubble fame, had been allowed some time on stage. More broadly, this absence seems symptomatic of a certain reluctance to discuss whether complete self-regulation of securities markets is sufficient, or whether at least a certain level of government supervision is desirable. Michie's study is nonetheless both a magisterial and thought-provoking account, which will undoubtedly give rise to wide-ranging controversy and further discussion.

*Priscilla Roberts is associate professor of history at the University of Hong Kong. She is the author or editor of numerous books on diplomatic and international history, including The Cold War (2000), Window on the Forbidden City: The Beijing Diaries of David Bruce, 1973–1974 (2001), Behind the Bamboo Curtain: China, Vietnam, and the World Beyond Asia (2006), Bonds Across Borders: Women, China, and International Relations in the Modern World (2007), Bridging the Sino-American Divide: American Studies with Chinese Characteristics (2007), and Encyclopedia of the Cold War (2007). She is now working on a study of the origins and development of the twentieth-century United States foreign policy establishment.*