

Financial innovation before modern portfolio theory

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Project description:

This project aims to investigate aspects of financial innovation in the UK during the last quarter of the 19th and the first quarter of the 20th century. Its main focus will be risk management in the context of financial diversification.

The period roughly between the 1870s up to WWI is considered in the recent literature as the first wave of economic globalization, with the introduction of critical financial innovations on both sides of the Atlantic. From the 1870s, different economies gradually adopted the gold standard, while London served as the global financial centre. Developed capitalist economies experienced the rise of stock exchange securitization and the separation between ownership and control (the so-called 'managerial revolution') along with other important financial innovations. These developments were accompanied by high levels of income inequality and financial instability; the first globalization era thus has similarities to the contemporary financialised capitalist world. Its study will not only deepen understanding of an important era in the development of capitalism, but will also offer alternative ways to consider the historical and institutional roots of investor behaviour, financial innovation, and their fragile coupling, i.e. financial instability.

Applications should demonstrate an interest in developing both a theoretical and empirical contribution, together with an insight into previous engagement with these issues. Successful applicants will use and build on existing datasets on financial portfolio holdings of individuals and of institutional investors, as well as collect relevant market data. They will also join a growing and vibrant group of PhD students in the Open University Business School.

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