

# Capital account liberalization and financial globalization, 1890–1999: a synoptic view

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## Abstract

An indicator of financial openness spanning the period 1890–1999 is used to evaluate policies towards the capital account of the balance of payments. Findings include that: financial globalization was deeper in 1890–1913 than subsequently; countries with liberal capital account policies recovered more quickly from the Great Depression than countries that restricted capital account transactions; the correlation between democracy and capital account openness was negative or zero during the gold standard era, in contrast to subsequent periods, when it has tended to be positive; and countries in geographic proximity to one another have tended to behave similarly in their policies towards the capital account. Copyright © 2003 John Wiley & Sons, Ltd.

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