It might be said that equities markets were started by the 1844 Joint Stock Companies Act which created the modern form of corporation and was then amended in 1856 to give limited liability to all registered companies.

London was the world's first financial centre and joint stock companies were the vehicle for international investment such as South African mines, cotton, railways in North and South America and the subsequent development and industrialisation of the USA.

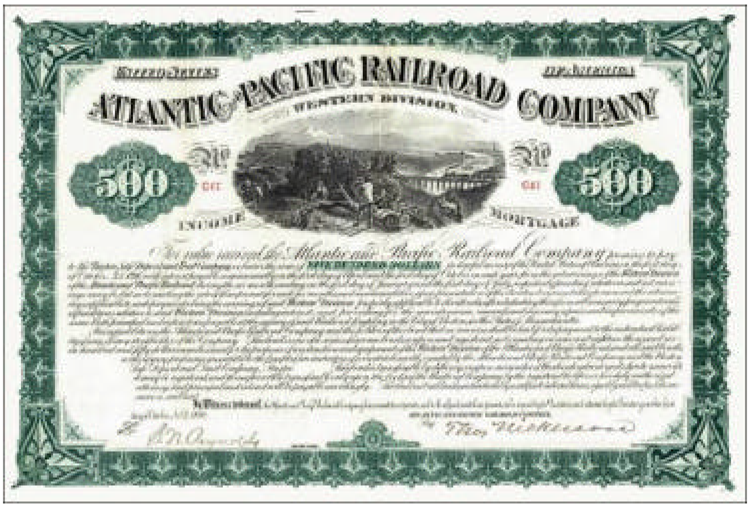

Figure 1: Atlantic Railroad Company bond from 1900

The telegraph was a forerunner of today's global networks and meant that in the late Victorian age someone in London could order and have delivered goods from all over the world and by 1913, (when the US established a single currency) a global capital market had been established.

But World War One shattered the process of international economic and financial integration. After the War came the era of big government which restricted trade and capital flows.

After World War Two, tremendous rebuilding required funding which was performed by the use of large loans. Governments adopted Keynesian economics to stem the boom-and-bust cycles that culminated in the great US depression, and left many countries with state-owned industries and onerous welfare commitments. For a few decades this seemed to work well until the oil crisis of the 1970s triggered various new economic crises.

The international funding organisations also discovered that loaning emerging economies large amounts of money never bought any friends and saddled them with debt. With successive instabilities and military dictatorships also came bad debts.

The US embraced Friedman monetarism under president Regan, more dramatically, the UK under Mrs Thatcher in 1979 and Chile under General Pinochet in 1982 embraced free markets and reverted back to a capitalist-style economy. In doing so, many of the state-owned industries could effectively be sold back to the people who arguably already owned it raising large amounts of money that the government could spend in the short-term and gain popularity.

The funding organisation switched polices to encourage countries to raise their own money in a similar manner rather than relying on handouts, and a boom in Stock Exchanges resulted.

By 2000, the global markets had reverted to a similar position to 1913.