Abstract

Was The Panic Of 1907 A Global Crisis? Testing the Noyes Hypothesis

Was the New York Panic of 1907 only one phase of a worldwide phenomenon? We test the hypothesis of Alexander D. Noyes, contemporary economist of the episode, that banking crises in Egypt, Japan, Germany, Chile, Holland, Italy and Denmark were related to severe drops in commodity prices. Using commodity prices, stock prices and bond prices, our preliminary results indicate that severe drops in prices of cotton- and copper-based assets preceded failures in banking and shadow-banking institutions in New York, Egypt, Japan, Germany, Italy and Chile. Support for Noyes’ hypothesis that the crisis was global is found in the near uniform positive response in global bond prices to the November, 1907 announcement by the Bank of France to relieve the liquidity stringency in New York.