Key Dates in Financial History

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The purpose of this file is to give an idea of the most significant developments in world financial history from the origin of paper money until today. It focuses on the economies that have issued the world's key currencies. Red lettering indicates important "firsts." I welcome comments.

995: First paper notes issued privately in China, constituting the first "free banking" system (where banks issued notes and deposits competitively, without centralized control of the monetary base).
By 1214: First tradable government bonds issued in Genoa.
1408: Casa delle compere e dei banchi di San Giorgio, established in 1407, becomes Europe's first modern bank.
Late 1400s: Silver production in central Europe increases, beginning the "price revolution" of inflation of roughly 2 percent a year that lasts into the early 1600s, spurred by silver discovered in the Americas after European deposits taper off.
1492: Columbus discovers the Americas; European colonization begins soon afterwards, bringing with it the European monetary systems of the time.
1497-1498: Vasco de Gama finds a passage to India around the Cape of Good Hope. European colonization of South Asia begins soon afterwards, bringing with it European monetary systems.
1519-1522: Ferdinand Magellan and his crew sail around the world. The world is now at least potentially a single market.
1526: Discovery of Iwami silver seams in Japan, an event of regional significance.
1545: Discovery of the Potosí silver mountain in present-day Bolivia, an event of global significance for the supply of the metal. Another major discovery of silver occurs in Zacatecas, Mexico in 1546. Both places are Spanish possessions. The Spanish silver pesos (also known as silver dollars) minted from these discoveries become the premier international currency of the 1600s and 1700s.
1555: Marked edges for coins devised, the first of a series of innovations to reduce mutilation.
1575: French copper coins become apparently the first true Western token coins minted on a long-term basis, though there had been experiments before. (In China, token coins were many centuries older.)
1602: First organized stock (equity) exchange, in Amsterdam.
1650: First futures contracts, at the Yodoya rice market in Osaka, Japan, about this year.
1656: Stockholm Banco issues the first paper notes in Europe.
1667: The Insurance Office, the first insurance company, is established in London.

1668: Bankrupt Stockholm Banco loses its charter. The Swedish parliament establishes the world's first central bank, Riksens Ständers Bank (today Sveriges Riksbank [Bank of Sweden]).
1680: Major discovery of gold in Minas Gerais, Brazil.
1694: English government establishes the Bank of England as a quasi-central bank.
1704: Russia becomes the first Western country to adopt decimal coinage. (China had long had a somewhat decimalized coinage.) The United States begins minting decimal coins in 1792. Other countries do not follow until later; the United Kingdom, the last major holdout, decimalizes in 1971.
1717: United Kingdom adopts the gold standard in practice as a result of the mint ratio of gold to silver chosen by mint master Isaac Newton.
1719-1720: Mississippi Company bubble and inflation in France; South Sea Company bubble in England.
1756-1763: Seven Years' War, which causes France to lose most of its colonies of the time and results in a corresponding shrinkage of the French currency zone.
1768: Russian government establishes an Assignat Bank to issue paper money. The State Bank of Russia, more of a modern-style central bank, is established in 1860.
1774: First mutual fund, in the Netherlands.
1775: First bank clearing house, in London.
1789-1815: Revolution and hyperinflation in France, rise and fall of Napoleon, frequent wars in Europe and by extension in European colonies.
1780: First inflation-indexed bonds issued, in Massachusetts.
1789-1796: First Western hyperinflation, in France, resulting from excessive issue of government notes (paper money). China had several episodes of high inflation, perhaps including hyperinflation, well before this.
1791: The Bank of the United States, partly owned by the U.S. federal government, is established; its charter is not renewed in 1811, but a second Bank of the United States exists from 1816 to 1836. Both banks have some quasi central banking functions.
1797: United Kingdom suspends the convertibility of the pound sterling into gold.
1800: Bank of France established as France's central bank. Unlike its counterpart the Bank of England, it does not suspend convertibility into gold during the Napoleonic Wars.
1803: France adopts a bimetallic standard at a silver-to-gold ratio of 15.5:1.
1810: During the Napoleonic Wars, Spanish colonies in the Americas start breaking away from Spain. The independent states issue their own coins, often differing in silver content from the internationally accepted Spanish silver peso.
1816: United Kingdom adopts the monometallic gold standard by law, though in practice the exchange rate fluctuates until 1819. From about this time, the pound sterling becomes the premier international currency, displacing the Spanish silver peso.
1825: Financial crisis in England, the United States, and Latin America.
1834: United States adopts the gold standard de facto as a result of the mint ratio of gold to silver it chooses, although gold will not become the single, unambiguous standard until 1900.
1836-1837: Financial crisis in England and the United States.
1844: Bank of England becomes a monopoly note issuer and full-fledged central bank. Its example influences many other countries in the coming decades. First use of the telegraph for long-distance communication (Baltimore to Washington, D.C.). The telegraph quickly becomes essential to international financial markets.

1847-1848: Financial crisis in England and United States, then revolutions in several continental European countries and resulting financial turmoil. The Bank of France becomes a monopoly note issuer and a full-fledged central bank.
1849: California gold discoveries; gold is also discovered in Australia, in 1851.
1857: Financial crises in United Kingdom, United States, Scandinavia, and Hamburg.
1859: Comstock Lode of silver discovered in Nevada, United States.
1861: United States abandons the gold standard during the U.S. Civil War.
1865: France, Belgium, Switzerland, and Italy form the Latin Monetary Union on the basis of the French monetary standard.
1866: Financial crises in England, India, Italy, Spain, and Germany.
1873: Germany switches from a silver standard to a gold standard, beginning a chain of events that ends with most former silver standard or bimetallic countries switching to gold alone over the next 30 years. The United States in effect enacts the gold standard into law, though in practice the exchange rate floats until 1879. Financial crises in Germany, Austria, and United States.
1875: Deutsche Reichsbank established as Germany's central bank.
1882: Bank of Japan established as Japan's central bank.
1885: General Act of the Conference of Berlin divides Africa among Belgium, France, Germany, Italy, Portugal, Spain, and the United Kingdom; by about 1905 they exert full power over Africa's interior, bringing with them European monetary systems.
1886: Gold discovered in South Africa. As South African gold reaches the market in large amounts in later years, what had been been a deflation for countries on the gold standard became a modest inflation.
1890: Baring Brothers crisis in England, Argentina, and Uruguay; financial panic in the United States.
1893: Financial crises in Australia, Germany, Italy, and the United States.
1895: Japan's annexation of Taiwan after war with China begins an expansion of the Japanese monetary zone that continues by steps until the middle of World War II. The zone eventually also includes Korea, Manchuria, coastal China, Oceania, and Southeast Asia.
1907: Financial crises in the United States, Chile, Denmark, Egypt, Italy, Japan, Sweden, and, to a lesser extent Canada, France, Germany, and the Netherlands. First modern securitization, a mortgage bond with a senior tranche, by Samuel W. Straus, in New York City.
1914: U.S. Federal Reserve System established as the central bank of the United States.
1914-1918: World War I. All belligerent countries and many others suspend their gold or silver standards, marking the beginning of the end of full-bodied gold and silver coins. The war begins the rise of the U.S. dollar as an international currency of roughly equal importance as the pound sterling.
1917: Russian revolutions. After the October Revolution, the Bolsheviks begin the first attempt to establish a centrally planned economy, where money plays a much different role than it does in a market economy.
1918-1920: Various treaties strip Germany, Austria, Turkey, and Russia of territory they had before World War I, creating many new countries in Central Europe and the Middle East. Most of the new countries establish new currencies.
1919: United Kingdom unpegs pound sterling from the U.S. dollar and gold.
1920: Spurred by wartime use in munitions, the exchange ratio of silver to gold appreciates from about 40 to 1 a few years earlier to 15.5 to 1 before depreciating again. Some countries

with silver coins experience problems. Germany, Russia, and successor states to Austria-Hungary suffer post-World War I hyperinflations from 1920 to 1924.

1926: United Kingdom returns to the gold standard, followed soon by many other countries. (The United States had resumed in 1919). France stabilizes the franc in terms of gold.

1928: China establishes a central bank.

1929: Worldwide Great Depression begins. Argentina, Australia, and Uruguay abandon the gold standard; by 1936, almost all gold-standard countries abandon their old exchange rates with gold or impose exchange controls that amount to de facto abandonment.

1931: Credit Anstalt crisis in Austria spreads elsewhere in Central Europe. The United Kingdom, British Empire, Japan, and Scandinavia abandon the gold standard. Germany imposes exchange controls that amount to a de facto abandonment of the gold standard. Countries that abandon the gold standard earliest are generally those that begin recovery from the Great Depression soonest.

1933: United States abandons gold standard as the Great Depression reaches its worst point there, culminating in a wave of bank failures. The United States returns to gold at a depreciated level in 1934.

1935: China becomes the last major country to abandon the silver standard, following a deflation driven by the U.S. government's policy of silver purchases at above-market prices. India establishes the Reserve Bank of India as its central bank.

1936: France becomes the last major country to abandon the exchange rate with gold established in the currency stabilizations of the 1920s.

1939-1945: World War II. Belligerent countries impose exchange controls. The sterling area and the French franc zone come into formal existence with the outbreak of the war. The start of the war definitively reduces the pound sterling to a currency of lesser importance than the U.S. dollar. Germany and Japan bring conquered areas into their monetary zones, then lose them as they lose the war. The later part of the war brings Eastern Europe into the orbit of Soviet communism and centralized economic planning, where the region remains until 1989.

1944: Bretton Woods international monetary agreements.

1946: The United States grants independence to the Philippines, starting a wave of decolonizations over the next 30 years that ends the British, Dutch, French, and Portuguese colonial empires.

1947: International Monetary Fund begins operations and a form of the gold standard effectively resumes.

1948: Germany's currency reform ends high inflation that occurred after World War II. Most other European belligerent countries also had postwar currency reforms.

1949: United Kingdom devalues the pound sterling; most sterling area countries and many Western European countries follow. Japan's currency reform ends its high postwar inflation. Communist takeover of China starts that country's first complete monetary unification and movement toward a centrally planned economy. Alfred Winslow Jones establishes the first hedge fund, in New York City.

1950: European Payments Union establishes limited current-account convertibility among its members, which included most Western European countries.

Late 1950s: Eurodollar market begins in London.

1958: European Payments Union ends as most Western European currencies re-establish current-account convertibility. France devalues the franc.

1960: France grants independence to most of its African colonies, which unlike the colonies of most other countries remain tied to it monetarily today (2011).
1961: Start of the London gold pool, an attempt by central banks to prevent the market price of gold from surpassing the official price.
1962: Last free banking system ends in South West Africa (now Namibia).
1967: United Kingdom devalues the pound sterling.
1968: Two-tier gold market begins, with free market price higher than price at which governments deal with each other. France devalues the franc. John Oswin Schroy establishes the first money market mutual fund, in Brazil.
1971: United States devalues the dollar and gold convertibility for all currencies in effect ends, beginning the breakup of the Bretton Woods monetary system agreed in 1944 and begun in 1947.
1972: United Kingdom floats the pound sterling; the sterling area dissolves. Chicago Mercantile Exchange offers the first futures contracts for currencies, which apparently are also the first futures contracts for anything other than a physical commodity.
1973: United States devalues, then floats the dollar; other major currencies also float, ending the Bretton Wood system in practice. A period of higher inflation follows in most countries. Western European countries attempt to reduce exchange rate fluctuations among themselves. The Black-Scholes formula, published in 1973, helps start the age of computer-driven financial engineering.
1975: Portugal's colonies are granted or declare independence, ending the era of widespread European colonialism. The high-water mark of socialist economies is about here. Also by about this time, all commonly used coins throughout the world had for the first time become pure tokens, with no gold or silver content.
1978: China becomes the first communist country to begin moving definitively away from central planning. One component of the program is a first foreign exchange reform in 1980.
1979: Western European countries establish the European Monetary System.
1980s: Start of a shift away from bank financing to bond financing as dominant in rich countries.
1982: Latin American debt crisis begins; later it spreads to Africa. Many high inflations result in poor countries. The debt problem is addressed starting 1989 by the Brady plan. In rich countries, this year marks the start of what was dubbed the Great Moderation, a period of generally low inflation, less volatile economic growth, and apparent financial stability that lasted until the world financial crisis of 2008-2009.
1983: Hong Kong re-establishes a currency board system, providing a model that will inspire loose imitations in several other countries in the 1990s.
1988: Basel Accord establishes international standards on minimum capital requirements for banks, a milestone in international financial regulation.
1989: Communism ends in Eastern Europe. Soviet transferable ruble monetary zone breaks up. Eastern European countries begin transition away from socialist money.
1990: New Zealand has the first central bank to practice explicit inflation targeting.
1991: Soviet Union breaks up; the successor states establish independent currencies, many initially having high inflation, and start the transition away from socialist money. Argentina establishes a currency board-like system, the first of five countries to do so in the 1990s.
1992: Crisis of the Exchange Rate Mechanism of European Monetary System: the last recent big currency crisis in developed countries.

1994: Mexican financial crisis, spreads to Argentina in 1995; first of the big recent developing country financial crises.
1997-1999: East Asian (1997-1998), Russian (1998), and Brazilian (1998-1999) financial crises. Russian crisis causes failure of U.S. firm Long Term Capital Management and a near-panic in U.S. financial markets.
1999: Eleven Western European countries (most notably Germany, France, Italy, and Spain) begin issuing a common currency, the euro. The constituent national currencies disappear completely at the start of 2002.
2000: Ecuador becomes the first country of even modest significance in many years to dollarize.
2001: Turkish financial crisis.
2001-2002: Argentine financial crisis, leading to abandonment of its currency board-like system.
2008-2009: World financial crisis originating in U.S. mortgage securities. The crisis causes the world economy to shrink for the first time in decades. The crisis hits the United States and Western Europe worse than most poorer countries.
2010-2011: Debt crisis in the peripheral countries of the euro area.

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