

Harvests and Financial Crises in Gold-Standard America

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Abstract: Most American financial crises of the pre-1914 gold-standard era were caused by fluctuations in the cotton harvest due to exogenous factors such as weather. The transmission channel ran through export revenues and financial markets under the pre-1914 monetary regime. As a poor cotton harvest depressed export revenues it reduced international demand for American assets, which depressed American stock prices, drained deposits from money-center banks and precipitated a business-cycle downturn. These conditions bred financial crises. The crises caused by cotton harvests could have been prevented by an American central bank, even under gold-standard constraints.