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Indicators that reveal the extent capital market integration are

The absolute value (deficit or surplus) of the current account relative to GDP

The value of the stocks and/or flows of foreign investments

Equity return differentials

Interest rate differentials between nation (real and nominal) on similar assets

Each of these indicators should be motivated and explored.

Applying these criteria it is possible to discern distinct periods

The period from c. 1870 to 1914 and the period after the demise of the Bretton Woods System (post 1973) are periods with substantial and high shares of the current account in GDP, say around 3-7 per cent. These periods also witness a decline in interest rate differentials while equity returns are poorly documented especially for the 19^{th} century. The prevailing 'home bias'' of investors distort the picture. Foreign investments, mainly British dominated the pre 1914 period while US became the major provider of foreign private investments in the present era. Today economies are typically both exporters of capital and importers of capital. A paradox that might interest some of the well read students.

It should be pointed out that the Bretton Woods era imposed restrictions on capital account transactions which reduced the absolute value of the current account as well as foreign investment. There were substantial interest rate differentials across nations in this period' which was part of the motivation for BW in its permitting independent domestic monetary policy.

The Interwar period is a mixed bag. 1920s restored some of the globalization characteristics with US at the major provider of foreign investments. The post-1929 period was, however, a period with a capital controls, declining foreign investments and increasing interest rate differentials.

World wars are periods of low globalization.

The law of one price can be defined literally as the characteristic of a perfectly integrated market where the price of a homogenous commodity is the same at geographically separated markets. With positive transport and transaction costs it can be reformulated as "the price difference between a homogenous good at two markets should not exceed the transport and transaction costs between the markets".

The price difference of grain between the grain exporter US and grain importing Europe declined substantially from the middle of the 19^{th} century. Quantitative details are welcome but not strictly necessary.

The basic reasons are

transport costs decline, not primarily in transatlantic shipping but in inland rail from the grain-producing Midwest in the US to the ports in Eastern US (New York) falling tariffs in Europe, even though some nations in Europe returned to protectionism in the 1880s

increased market efficiency which reduced the risk premium of traders caused by improved information transmission (the telegraph).