

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

The State, the Financial System and Economic Modernization

The role of the state is of paramount importance in the historical development of modern financial systems, and governments have long had need of large-scale finance related thereto. Unlike private parties, however, the state possesses powers of taxation, lending it a greater ability to borrow and repay debts than private economic entities. In addition, the state has had the power to create financial institutions and markets, and to shape their development through legislation and state regulation.

With chapters focusing on a number of European countries, as well as North and South America, and covering approximately 150 years of development, this book demonstrates the key role that finance has played in economic change. Thanks to the variety of countries studied, it is shown that financial systems did not develop uniformly; on the contrary, divergent systems came into being and persisted. Insights into the primacy of the state's role in the financial development of the pre-industrial era have not carried over into the historiography of the industrial era itself, so never before have the insights developed here been brought together in a systematic manner. The aim is to demonstrate through comparative historical analysis the richness of the history of modern financial systems, and to restore the state to its primary role in the shaping of those systems. The book makes a unique contribution to financial historiography, and thus will be of interest to economists and to financial, economic and world historians.

RICHARD SYLLA is Professor of Economics in the Leonard N. Stern School of Business, New York University.

RICHARD TILLY is Professor of Economic and Social History at the University of Münster.

GABRIEL TORTELLA is Professor of Economic History at the University of Alcalá.

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

The State, the Financial System and Economic Modernization

edited by

Richard Sylla, Richard Tilly and Gabriel Tortella



Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

CAMBRIDGE UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning and research at the highest international levels of excellence.

www.cambridge.org

Information on this title: www.cambridge.org/9780521591232

© Cambridge University Press 1999

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 1999

Reprinted 2000

A catalogue record for this publication is available from the British Library

Library of Congress Cataloguing in Publication data

The state, the financial system, and economic modernization / edited
by Richard Sylla, Richard Tilly, and Gabriel Tortella.

p. cm.

ISBN 0 521 59123 6

1. Banks and banking – Government policy – History. 2. Finance,
public – History. 3. Capital markets – History. I. Sylla, Richard
Eugene. II. Tilly, Richard H. III. Tortella Casares, Gabriel.

HG1725.S72 1998

332.1-dc21 98-14397 CIP

ISBN 978-0-521-59123-2 Hardback

ISBN 978-0-521-03798-3 Paperback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party internet websites referred to in this publication, and does not guarantee that any content on such websites is, or will remain, accurate or appropriate.

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

In honour of Rondo Cameron

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

Contents

<i>List of figures</i>	<i>page</i> ix
<i>List of tables</i>	x
<i>List of contributors</i>	xi
<i>Preface</i>	xiii
1 Introduction: comparative historical perspectives	1
RICHARD SYLLA, RICHARD TILLY AND GABRIEL TORTELLA	
2 Politics and banking in revolutionary and Napoleonic France	20
FRANÇOIS CROUZET	
3 Belgian banking in the nineteenth and twentieth centuries: the Société Générale and the Générale de Banque (1822–1997)	53
HERMAN VAN DER WEE AND MONIQUE VAN DER WEE-VERBREYT	
4 Banking liberalization in England and Wales, 1826–1844	75
P. L. COTTRELL AND LUCY NEWTON	
5 Banking in Europe in the nineteenth century: the role of the central bank	118
FORREST CAPIE	
6 Public policy, capital markets and the supply of industrial finance in nineteenth-century Germany	134
RICHARD TILLY	
7 The role of banks and government in Spanish economic development, 1850–1935	158
GABRIEL TORTELLA	
8 Central banking and German-style mixed banking in Italy, 1893/5–1914: from coexistence to cooperation	182
PETER HERTNER	

vii

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

viii Contents

9	State power and finance in Russia, 1802–1917: the Credit Office of the Finance Ministry and governmental control over credit institutions	210
	BORIS ANAN'ICH	
10	The origins of banking in Argentina	224
	ROBERTO CORTÉS CONDE	
11	Shaping the US financial system, 1690–1913: the dominant role of public finance	249
	RICHARD SYLLA	
12	Cosmopolitan finance in the 1920s: New York's emergence as an international financial centre	271
	MIRA WILKINS	
	<i>Index</i>	292

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

Figures

3.1	Summary of liabilities of the Générale de Banque, 1823–1913	page 62
3.2	Summary of assets of the Générale de Banque, 1823–1913	64
3.3	Origin of revenue of the Générale de Banque, 1823–1919	70
6.1	Industrial investment and new issues in Great Britain and Germany, 1883–1913	144–5
6.2	Realized inflation-adjusted returns on securities portfolios in the UK and Germany, 1871–1913	147
6.3	Standard deviation among sixteen German security classes, 1871–1913	148
7.1	Bank-note creation and budget deficit, 1874–1935	164
7.2	Peseta–pound sterling exchange rate, 1890–1913	168
7.3	Bank of Spain: collateral credits, total line and actually drawn, 1904–35	170
7.4	Securities portfolios in Spanish banks and Bank of Spain's collateral credits, total line and actually drawn, 1904–35	172
10.1	Banco de Buenos Aires, 1823–6	228
10.2	Banco Nacional issue, deficit and gold premium, 1826–9	229
10.3	Casa de la Moneda issues, 1837–61	229
10.4	Money supply and gold premium, 1823–52	229
10.5	Banco de la Provincia de Buenos Aires, metallic and paper deposits, 1855–8	231
10.6	Banco de la Provincia de Buenos Aires, issues, deposits and reserves, 1864–80	232
10.7	Banco de la Provincia de Buenos Aires, issues, deposits and reserves, 1880–91	233
10.8	Banco Nacional, issues, deposits and reserves, 1873–9	234
10.9	Banco Nacional, issues, deposits and reserves, 1880–91	235
10.10	Interest rates, 1829–47	238
10.11	Interest rates, 1864–90	239
10.12	Reserves and gold premium, 1863–1891	242

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

Tables

4.1 Joint-stock bank creations in England and Wales, 1826–43	<i>page 84</i>
4.2 Geographical sources of initial subscriptions to the shares of the Wilts & Dorset Banking Company, 1835	101
6.1 Numbers of business incorporations and initial equity capital raised, 1826–1907	136
6.2 Rate of return on equity investment, 1871–83	139
6.3 Average annual industrial investment and industrial new issue activity in Germany and the United Kingdom, 1882–1913	142
6.4 Sectoral rates of growth and distribution of new issues	143
6.5 Two measures of investment banking spread on the issue of German industrial securities, 1885–1913	150
6.6 Structure of new industrial security issues in London and Berlin, 1883–1913	151
9.1 Numbers of different types of credit institutions in Russia in September 1910 compared with May 1913	217
9.2 The growth in business operations of the joint-stock commercial banks	219
10.1 Deposits of the Banco de la Nación, 1892–1909	244
10.2 Deposits in private banks, 1897–1909	245

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

Contributors

BORIS ANAN'ICH is Professor in the Institute of Russian History, St Petersburg.

FORREST CAPIE is Professor in the Department of Banking and Finance at City University Business School.

PHILIP COTTRELL is Professor in the Department of Economic and Social History at the University of Leicester.

FRANÇOIS CROUZET is Professor in the Centre Roland Mousnier at the Université Paris IV–Sorbonne.

ROBERTO CORTÉS CONDE is Professor in the Department of Economics at the Universidad de San Andres.

PETER HERTNER is Professor in the Institut für Geschichte at Martin-Luther Universität Halle-Wittenberg.

LUCY NEWTON is Lecturer in Economic and Social History, School of History, University of East Anglia.

RICHARD SYLLA is Professor of Economics in the Leonard N. Stern School of Business, New York University.

RICHARD TILLY is Professor of Economic and Social History in the University of Münster.

GABRIEL TORTELLA is Professor of Economic History in the University of Alcala.

HERMAN VAN DER WEE is Professor in the Centrum voor Economische Studien at the Katholieke Universiteit Leuven.

MONIQUE VAN DER WEE-VERBREYT, wife of Herman Van der Wee, is co-author of their chapter in this volume.

MIRA WILKINS is Professor in the Department of Economics at Florida International University.

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

Preface

Around five years ago (in 1993) the three of us realized that we shared an interest in a theme of comparative financial history which deserved book-length treatment. That theme was the role of the state in the financial development of nations and the links between public and private finance. In order to ensure a broadly international comparative perspective, we set about recruiting knowledgeable scholars in various different countries. As planning progressed, we began to see that the book would combine three fields of interest – financial history, economic development and international comparison. These interests, we realized, were also striking features of the work of an influential economic historian, Rondo Cameron. Since we and our collaborators continue to draw on Rondo Cameron's work, we thought it fitting to say a few words about his influence here.

Three aspects of Rondo Cameron's work are of particular interest today. First came his demonstration, supported by rich archival evidence and published in *France and the Economic Development of Europe* (1961), that the dynamic development role played by private business institutions could be fruitfully treated in an explicitly international comparative framework of analysis. Second, subsequent works, *Banking in the Early Stages of Industrialization* (1967) and *Banking and Economic Development* (1972), both of them team efforts headed by Rondo Cameron, put banks in the centre of the stage and upgraded their importance and, implicitly, the importance of financial institutions generally in the process of economic development. After they appeared, there was less chance that historians and economists would continue to slight those institutions, as they had in the past. Third by drawing attention to the positive roles played by private economic agents, the 'Cameron' studies fostered a more critical attitude towards government policies and state intervention in economic history than had been typical among economists and historians in the decades after the Great Depression and World War II. This was controversial at the time; some of it still is.

And that is the point: Rondo Cameron's work has shaped our

Cambridge University Press

978-0-521-59123-2 - The State, the Financial System and Economic Modernization

Edited by Richard Sylla, Richard Tilly and Gabriel Tortella

Copyright Information

[More information](#)

xiv *Preface*

perceptions of the problems in financial history that need to be addressed and of possible approaches to their solution. Our book does not follow Cameronian suggestions at every turn. Our occasionally differing interpretations of the role of the state are cases in point. But even when our conclusions differ from those he reached in his work, we share and build on his judgement that 'finance matters' and that comparative history is indispensable in showing why that is so. That is why we dedicate this volume to Rondo Cameron.

RS, RT and GT