

“The Political Economy of Early Banking in Latin America (1850-1873): Reflections on the Dominant Role of Domestic Banks linked to the State”<sup>1</sup>

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Abstract: In this paper we attempt to offer a general synthesis of how banks first developed in various important Latin American nations in the mid 19<sup>th</sup> century with particular emphasis on the larger domestic banks, which forged close ties with local governments. This interpretation runs counter to the traditional views on the origins of banking in this region, the most common misconception being that in this era British banks dominated Latin American finances and faced little competition from domestic banks. In fact we argue that the situation was much more complex. We focus particularly on early banking in four country cases in the following order, basically for chronological reasons: Brazil, Uruguay, Argentina and Cuba. The main argument put forward is that while there were particular reasons for the birth of banking in each of these countries, including specific political, economic and social circumstances, there are certain parallels that we think worthwhile developing in regards to the special role of the largest bank in each country and its ties to the respective government. Hence this essay is, in a sense, an exercise in historical political economy that focuses on a somewhat forgotten chapter on the origins of Latin American banking.

The establishment of banks on a durable basis in Latin America was not truly feasible before 1850 due to a set of factors and circumstances which are well-known and included great instability -political, military, monetary and financial- as well as abrupt fluctuations in foreign trade, all of which represented serious obstacles to sustained economic growth and financial modernization. In this regard, it may be recalled that while several banking experiments took place in Argentina, Brazil and Mexico in the early decades of the 19th century, they did not last. (See TABLE 1.)

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It would not be until mid-century, when a powerful, long wave of international expansion of trade and finance gained strength that circumstances changed, launching an export boom in half a dozen Latin American nations, albeit subject to fairly intense fluctuations and several international crises that affected foreign trade, most notably those of the crises of 1857, 1866 and, above, all 1873. Despite the volatility, the rise of commercial transactions was notable, a fact that undeniably indicates that long before the last quarter of the century, globalization had gained strength in this part of the world. Simultaneously, the flows of foreign credit and investment to the region denoted an early process of internationalization of capital flows. These trends were strongly related to an incipient *banking take-off* in several Latin-American countries between 1850 and 1873. This is consistent with the argument that the origins of banking in Latin America fits into the studies in comparative economic history which focus on *first globalization* as an expression of the growing commercial, financial and technological integration that took place in the second half of the 19<sup>th</sup> century and prevailed, at least, until the outburst of World War I, in 1914.

In this paper we attempt to offer a general synthesis of how banks first developed in various important Latin American nations in the mid 19<sup>th</sup> century with particular emphasis on the larger domestic banks, which forged close ties with local governments. This interpretation runs counter to the view that British banks dominated Latin American finances and faced little competition from domestic banks. In fact we argue that the situation was much more complex. We focus on early banking in four country cases in the following order, basically for chronological reasons: Brazil, Uruguay, Argentina and Cuba. The main argument put forward is that while there were particular reasons for the birth of banking in

each of these countries, including specific political, economic and social circumstances, there are certain parallels that we think worthwhile developing in regards to the special role of the largest bank in each country in this era and its ties to the respective government. Hence this essay is, in a sense, an exercise in historical political economy that focuses on a somewhat forgotten chapter in the origins of Latin American banking.

But before delving directly into the cases studies, it is worthwhile drawing attention to the variety and complexity of the theoretical questions which currently drive key aspects of the literature that looks at the historical process of financial modernization and construction of banking systems. Outstanding is the debate on whether the formation of banks was market-driven or state-led? The number of theoretical and practical issues that emerge from this dichotomy are immense. Some are related to theories that focus on institutions, on political economy, on legal origins, on the evolution and structure of enterprise, and others on the relations between all or some of the above.

One influential approach that focuses on the concept of a “financial revolution” - originally put forth and developed by the economic historians P.G. Dickson and Larry Neal- was elevated to an important theoretical category by the synthetic interpretation of Douglass North and Barry Weingast in a well-known article. They argued that the example of Great Britain in the early 18<sup>th</sup> century, as regards the simultaneous transformation of public debt management, financial markets and the origins of an early central bank, constituted a financial revolution that impelled growth by guaranteeing financial property rights. A similar approach was adopted by Richard Sylla and Peter Rousseau, in path breaking essays on the financial revolution that was largely the result of policies promoted by Alexander Hamilton in the 1790s in the United States. Evidently, these interpretations

must be taken into consideration in the case of any study which looks at the birth of banking in Latin America in order to ascertain which elements seem pertinent for analysis of early financial modernization in the different nations of this vast region.

While the aforementioned approaches focus on the institutional framework adopted for financial markets, this general insight has also been explored by a legal literature that focuses on differences between civil and common law traditions, in particular, and the various ways they influence protection of private property and investor rights. In this regard, the much-cited articles by Thorsten Beck and Ross Levine as well as the study by Rafael La Porta titled “The Economic Consequences of Legal Origins” are especially relevant to consider the differences as well as some similarities between common law traditions and civil law traditions with regards to financial systems. Because the Latin American nations adopted civil law traditions and, furthermore, were heavily influenced both by Spanish and French administrative and financial precedents, this poses another set of important questions on the institutional and legal context of the early Latin American banks.

Finally, a more specific focus on the formation of banks and banking systems from an organizational perspective leads us into the field of entrepreneurial or business history and, inevitably, opens many questions with regard to the specific business organization of the early banks and whether there was a clear trend in terms of development of banking systems and rules of operation. This, in turn, lead us to the debate on “free banking” as posed by the classic studies of Rockoff and White, as well as the discussion on the

dominance of state owned banks and oligopoly bank systems as elaborated by Stephen Haber and Charles Calomiris.

In the case of Latin America, many of these issues have barely begun to be explored, but we believe they suggest rich materials for rethinking Latin American financial history, and we hope that in future versions of the present essay they may be dealt with in some detail. For the moment, it seems worthwhile focusing more specifically on the dichotomy between market reasons for the development of early banks (and other financial firms as well as mortgage and capital markets) as opposed to reasons of state that could also drive the development of banks. In the present essay we argue that it would seem important to look at the way states influenced the establishment of banks in the case of several Latin American nations: that they did so can be considered part of a more general process of financial modernization promoted by different governments and legislature in part to assure better administration of public finance, to gain access to credit and to achieve debt stabilization with reduction of debt costs, but also frequently to favor specific policies and projects promoted by leading politicians and influential elite groups.

These issues are particularly pertinent for the review of the cases of Argentina, Brazil and Cuba in the third quarter of the nineteenth century. They are perhaps less useful in the cases of Chile, Colombia, Peru and Uruguay, although this has much to do with the particular histories of each country. In any case, it would appear that there is ample scope here for more and deeper comparative history, something essential to the study of Latin America economic and financial history because of its diversity. Another fundamental challenge of this essay is to suggest is that while the literature on the history of Latin American banks and banking systems is not well known nor sufficiently developed, there

are already quite a number of specific studies and sources which can stimulate future comparative studies. In summary, what follows in this descriptive essay is much more limited than the general questions posed, but a quick review of our findings suggests that to focus on the relations between states and banking development, and on the particular roles of certain large banks with close state connections, can help to understand the changing banking and monetary systems in different periods and can prove to be a possible avenue of research that should be explored in greater depth.

#### When did banks first emerge in Latin America?

It is tenable to state that early financial take off occurred after the 1850s in several of those countries and regions which displayed high levels of international trade. This is logical if one considers that a significant number of the new Latin American banks dealt mainly with the financing of commercial activities. Therefore, it is not unreasonable to believe that there should have been a relatively strong connection between the growth of trade in Latin American economies and an increasing demand for *formal* credit institutions. However, one must concede that in some particular cases, these new financial enterprises contributed to the supply of funds for agriculture and livestock production, and thereby fostered the early development of formal mortgage markets. Moreover, some of these early banks financed emerging companies in the sectors of construction, services, transportation and mining. On the other hand, some banks provided a substantial amount of credit to national or provincial governments, a fact which was related to the surging of modern public finance schemes in Latin America and, in some cases –like that of Brazil-, the development of incipient formal markets of public debt. The next pages offer a preliminary

and quite synthetic comparative guide to the process of the constitution of the first lasting banks in some Latin American states.

#### Brazil: foundation of banks between 1850 and 1870

It can be said that Brasil is a special case in Latin America since already before 1850, there already had emerged a primitive banking system, including the Banco Comercial do R o de Janeiro (active since 1838), and three smaller banks in the Northeast region, established during the years 1845-1847. (See TABLE 2.) Nevertheless, the modern banking history of Brazil truly began with the foundation of several banks during the 1850s, and specially with the relaunching of the Banco do Brasil in two stages (1851 and 1853) as it was granted the right of note issuing, and served as a government bank.

The establishment of this financial institution was initially championed by Irineu Evangelista de Sousa (future Baron of Mau a), one of the most dynamic and innovative Latin American capitalists active in the third quarter of 19<sup>th</sup> century. Approved by decree on July 2, 1851, the Banco do Brasil started operations in September of that year as a commercial bank, with a paid-in capital of 2 million milreis, which soon increased to 5 million a year later, and then to 8 million milreis. This bank made its appearance precisely during the coffee boom and the abolition of slave traffic, which modified the structure of the Brazilian rural economy by impelling a greater mobility of labour (both free and slave) within the vast country and by attracting early but as yet small flows of European immigrants. This was also the era of the emergence of early private corporations in R o de Janeiro as described by historian Mar a Barbara Levy in a book which remains the best history of a 19<sup>th</sup> century Latin American stock market. At the same time, commercial activity rose notably in the ports of R o de Janeiro, Bah a, Pernambuco and Santos from

1850, increasing custom revenues and leading to improvement of the fiscal and financial situation of the Brazilian government, which was then considered among European investors as the most solid of the subcontinent.

In 1853, the Vizconde of Itaboraí, minister of finance and an adamant advocate of the gold standard, proposed the merging of the two main banks in Río, with the objective of achieving a greater homogeneity of the currency of the Empire, reducing the circulation of inconvertible bank notes, and increasing gold reserves. The government granted the Banco do Brasil issuing rights, and determined that its notes could be traded for legal currency, whether in gold or in paper. Simultaneously, the concession of Mauá (the largest stockholder) was revoked, and the Banco do Brasil was forced to merge with its great rival: the Banco Comercial do Río de Janeiro. This gave birth to a banking colossus, which would serve both as a government and a commercial bank: on July 5<sup>th</sup>, 1853, the “third” Banco do Brasil, possessed assets tantamount to 35 million milreis, a very considerable amount at that time.

Quite rapidly, several branches of the Banco do Brasil were established in the cities of San Salvador de Bahía, Recife –province of Pernambuco, San Luiz –province of Maranhão- Belem –in Pará-, the mining city of Ouro Preto in Minas Gerais, São Paulo, and the city of San Pedro in the austral region of Río Grande do Sul. This process of regional expansion implied that in these cities, the Banco do Brasil competed directly with local banking houses which, in the end, could resist the powerful Court-based bank which had the support of the imperial government.

The Banco do Brasil soon began to absorb provincial banks, a fact that recalls the expansion of the Banco de España, which incorporated tens of regional banks as its branches after the financial crisis of 1866, as described in the classic works of Spanish

historian Gabriel Tortella. In the case of the Banco do Brasil, a first example was the acquisition of the Banco de Bahía, which had been established in 1845 by sugar exporters from the Northeast region, with a paid-up capital of 2 million milreis; it was granted approval by the imperial government in 1850, but became a branch of the Banco do Brasil in 1858. A similar case was that of the Banco do Maranhão - founded in 1846 by regional merchants (sugar, cocoa and tobacco exporters) with an initial capital of 400,000 milreis – but which could not navigate the effects of the liberal regulations approved by Finance Minister Bernardo Sousa Franco in 1857: it became a branch of the Banco do Brasil in the subsequent year. The fate of the Banco do Pará and the Caja de Socorros de Pernambuco was no different: both became subsidiaries of the largest Brazilian bank in the year 1858. There was, however, one bank which had some success in maintaining autonomy, at least for a time: the Banco Comercial y Agrícola. It began its operations in Ríó de Janeiro in 1858 and established two additional branches in the coffee valleys of Vassouras and Campos, thereby becoming quite a relevant banking institution, with a paid capital of 7.2 million milreis, and the right to issue from 1857 a sum of 7 million milreis in non-convertible bank notes; most of its reserves were domestic debt titles, railroad stocks – guaranteed by the government-, and legal currency, both on paper and metal. Despite relative success in its operation during its short existence, this bank could not escape absorption by the Banco do Brasil in 1862.

Regarding its managerial structure, the Banco do Brasil followed, in some respect, the organizational model of the *Banque de France* which was a government bank even though it was not owned by the State. The Banco do Brasil kept the public accounts and had a virtual issuing monopoly, at least from 1853 to 1857. Moreover, just as its French

counterpart, the Banco do Brasil became a key element of the politic and financial power in R o de Janeiro: among its shareholders were politicians, coffee aristocrats, and financiers interested in maintaining its status as the hegemonic banking institution, and obtaining high dividend yields without exposure to considerable credit risk.

The symbiosis between the Brazilian elite and the bank was a reflection of the political and financial consensus among the most powerful cliques of slave masters and importers of R o de Janeiro, Sao Paulo, and the Northeast. In his marvellous doctoral thesis, *O Banco da Orden*, Thiago Fontenlas Rosado Gambi analysed the relation between finance and politics in Brazil through the years 1853-1866, and demonstrated how this powerful bank became the financial vehicle of the conservative party (Partido Conservador), and particularly of the regional network known as the *saquarema* during the 1850s. Their main interest was to ensure a strong currency in order to guarantee a number of things: low levels of exchange rate volatility, cost stability for importers and exporters, foreign credit availability in order to fund international trade, and favorable conditions –reasonably low rates- for sovereign debt. These priorities could be satisfied through a centralist conservative policy, compatible with the ideological interests of the emperor and most of his ministers, who advocated the existence of a government bank that could be perceived as a powerful but prudential financial institution, with high metal reserves and issue monopoly. However, these conservative policies weakened in the years 1857 and 1858, during a brief period, when minister of Finance, Bernardo Souza Franco, a liberal politician, successfully obtained legislative approval for a law that permitted provincial banks to freely issue paper money. Nevertheless, his success was transitory, and this liberal experiment ended several years after the international financial crisis of 1857, which hit Brazilian finance and trade in a dramatic manner.

Bernardo de Souza Franco, one of the main ideologists of “free banking” in Brazil, was the author of *Os Bancos do Brasil*, the first truly significant banking study in the country, published in 1848. In this book, Souza Franco proposed a banking reform which would give way to the creation of several “banking regions” in Brazil, each with its own issuing banks. This proposal was put into practice when Souza Franco became Finance minister in 1857. He authorized the incorporation of a number of firms as *issuing* banks, which would compete with the Banco do Brasil as issuers of paper money. These institutions were the Banco Comercial y Agrícola do Ríó de Janeiro, the Banco do Ríó Grando do sul, the Banco de Pernambuco, the Banco de Bahía, and the Banco do Maranhão, as well as the Banco Rural e Hipotecario de Ríó de Janeiro. The truth was that this reform was not simply a consequence of the application of a new economic ideology; it only ratified banking practices which were already occurring in Brazil. As suggested by the great Brazilian historian, María Bárbara Levy, this plural issuing system represented the legitimation of the issuing of *vales*, which was a common phenomenon among several banks in Ríó de Janeiro since de 1840s. In other words, this new banking legislation made legal a *de facto* situation in which *vales* or bank certificates already served virtually as bank notes, even without lawful recognition – or approval.

The situation seemed favorable for such policies, since the Banco do Brasil was weakened by the international crisis of 1857, which affected Great Britain, the United States and other Atlantic economies, including Brazil. The decrease in the prices of coffee and other Brazilian exports brought grave problems for landowners, merchants, and banks. The economic collapse forced the directors of the Banco do Brasl to suspend operations related to maintaining the exchange rate, which in turn weakened the relationship with the

government. The finance minister had to ask for credits from the private bank Mauá-Macgregor, in order to keep a constant inflow of sterling and other hard currency. Nevertheless, the impact of the crisis was so strong that the issuing experiments of these provincial banks did not last long.

Thus, in spite of the banking liberalization encouraged by the policies proposed by Souza Franco –which allowed for the proliferation of new banking institutions-, in 1860 a new financial reform, again ratified the hegemony of the Banco do Brasil in the banking a financial system. Historian Ana María Ribeiro de Andrade has emphasized the fact that the triumph of the Banco do Brasil over all other institutions was a result of the political victory of the conservatives in 1860, whose leader Francisco Salles, Vizconde de Inhomerim, went from president of the Banco do Brasil to finance minister, replacing Souza Franco, and partially destroying his liberal project of plurality in issuing. The “metalists” took over: the new law imposed convertibility of notes into gold, and required the banks to keep high levels of metallic reserves. This, in turn, favored the Banco do Brasil, and allowed it to dominate the financial market both in R o de Janeiro and the provincial regions, which were going through an outstanding coffee boom. On the other hand, the new legislation had detrimental effects on the financial institutions in other provinces, especially in Bah a, a region with five credit institutions in the port of Salvador, and six small savings banks in other towns, where sugar production was buoyant. The harsh control brought by the new banking reform made the directors and shareholders of these smaller banks fear that the government could be trying to dissolve them. As a consequence, they decided to abruptly decrease their activities, which caused the bankruptcy of many local merchants. In Pernambuco, the bankruptcies, due to problems in sugar and cotton production in 1859, caused several defaults, which affected the local banks’ portfolios. In

addition, these banks were also weakened by the new regulation, which pretended to enforce convertibility, and by the generalized scarcity of credit since they were not able to obtain funds from the Banco do Brasil. Eventually, many of them were compelled to yield, and in some cases, become branches of the great bank of the capital.

Notwithstanding these trends, a circumspect review of the annual reports of the Banco do Brasil during those years, suggests that the debate over the bank's institutional framework was not an irresolvable conflict: monetary policy, as well as normative organization were frequently adapted to the ever-changing circumstances. For example, the Banco do Brasil's annual report of 1866 –written by the president of the board, the enlightened but rather eccentric liberal Vizconde de Jequitinhonha- stated that all Brazilian writers on finance, regardless of whether they favored issuing plurality or monopoly, conceded that the new forms of credit played a very important role in economic growth. The Vizconde asserted, textually, that: “it would be impertinent to try to show in this document which of the two systems is better”. On the other hand, he affirmed that the law that permitted the emergence of regional branches of the bank –enacted on July 5, 1853- implied the establishment of a “mixed system”, which combined banking monopoly and plurality of issue.

The president of the main Brazilian bank of the era was suggesting that this powerful institutions performed a variety of functions, serving both as a government bank and as a commercial bank that supported great merchant houses and banks of the market of Rio de Janeiro, while providing, credit through its provincial branches to firms in other regions, such as the railroad between Sao Paulo and Santos, as well as the agrarian and merchant cotton firms that had been experiencing a considerable boom because of the American Civil War.

The somewhat deficient banking statistical data of the time, show that around 1860, the Banco do Brasil did indeed dominate the banking system in the city of R o de Janeiro and its province. This financial giant performed activities that were typical of a commercial bank, providing short-term funds for an important network of merchants and landowners. According to the knowing contemporary writer, Sebasti n Ferreira Soares, author of a treatise on banking and commercial statistics –published in 1865-, the Banco do Brasil became the “banker of banks” by discounting the commercial paper traded by the *commisarios* (coffee traders) through the 21 banking houses founded between 1850 and 1860. On the other hand, the Banco do Brasil also performed some of the typical functions of a modern central bank: it had a monopoly of banknote issuing, it served as a treasurer of the imperial government by managing the transactions on domestic public debt, and it dominated the circulation of paper money. However, after a decade of operation, Ferreira himself stated that the Banco do Brasil, “has not been able to satisfactorily accomplish, without causing any damage, the tasks imposed upon it by its organizational law, regarding the regulation of the currency of the Empire”.

In any case, R o de Janeiro’s financial market did not rely exclusively upon the Banco do Brasil; it involved a great diversity of banking firms, both corporations and private houses owned by merchant bankers. Between 1861 and 1863, during a short economic boom, there was an extreme case of credit concentration, favoring a few, private banking houses. The Banco do Brasil offered an extraordinary number of loans to the powerful Brazilian firm Antonio Jos  Alves Souto & Cia., that used these funds chiefly to finance the expansion of its bill discount business, by accepting huge quantities of bills of

the *commisarios* (coffee traders). Even though commercial documents were presented as collateral for the short-term credits conferred to Souto and other big firms, the Banco do Brasil participated excessively in risky transactions. In early 1864, just before the outburst of a local financial crisis of considerable size, the Souto financial house of R o de Janeiro alone owed over 14,000 *contos de reis* to the Banco do Brasil, which was tantamount to almost 50% of the bank's capital. The latter is a clear evidence of the imprudence of the Banco do Brasil's credit policy which would provoke several major problems.

One of the factors that contributed to the undermining of the policies that favored the Banco do Brasil and its allies, was the fact that, in 1862, two new and quite dynamic banks had begun their activities in R o de Janeiro's financial market: the Brazilian and Portuguese Bank, and the London and Brazilian Bank, two firms that eventually acquired the clients of Souto and other previously established banks. Perhaps because of this, when the Vizconde Souto –owner of the Souto bank- personally requested a credit extension from the Banco do Brasil on September 10, 1864, he received a rejection. This soon led to the closing of his private bank, and, a little later, of many other important financial companies, such as Gomes & Filos, Montenegro, Lima & Cia., Oliveira & Bello, and Amaral & Pinto. These bankruptcies caused a state of general default and panic, known as the banking panic of 1864, which affected even the powerful Banco do Brasil.

This situation worsened after the outbreak of the war of Paraguay in 1865, since the government was obliged to directly increase issue of paper money by the state treasury in order to cover its military deficits. (See FIGURE 1.) On September 12, 1866, both the advocates of monetary orthodoxy, led by minister Itabora , and his ideological enemies who supported free banking, like Souza Franco, joined to push for the approval of a law that entitled the government with unlimited money issuing rights so that it could pay for its

increasing war expenditures. In addition, the Banco do Brasil was forced to sell its metal reserves to the treasury, and to suspend its issuing privileges. It thus temporarily ceased to be properly speaking a government bank, but continued with its activities as deposit, discount and mortgage banking institution.

There were three English institutions that confronted both the 1864 crisis and the war in a much more successful manner than the domestic banks: the Banco de Londres y Brasil (est. 1862), the Banco Anglo/Portugués (1862), and the smaller Banco Inglés de Río de Janeiro (1863). Their survival and prosperity was due, chiefly, to their conservative practices, since –as stated by banking historian David Joslin- they kept high levels of gold reserves, and limited the issue of credit only to those clients with the most solid and sound profiles. Such politics were correlated with the strong relationship between these banks and the Brazilian/English coffee merchant companies of Knowles and Foster of London and Río, and the E. Johnston and Company of Liverpool, Río de Janeiro and Santos. This demonstrates, once again, that international trade in Brazil was strongly related to the establishment of the first banking institutions.

While the banks and private banking houses in Río and other cities focused mainly on the financing of international trade, rural producers experienced difficulties to find funding for their activities; they frequently had to ask the sugar and coffee *commisarios* for credit, which could offer loans to their rural clients –at substantially higher rates- by drawing on banks from Río. These *commisarios* paid 6-9% interest rates to banks in the capital, and offered those funds to coffee plantation owners at rates no lower than 12%. This type of personal, rural credit –which persisted as the predominant funding source through most of the nineteenth century- were studied by Stanley Stein, and especially by

Joseph James Ryan in his doctoral thesis, which made extensive use of notarial archives. In response to the scarcity of credit for rural producers, an important discussion emerged regarding the need for an institutionalized mortgage credit market, although the results were not as effective as in Argentina or Chile. Two important contemporary documents, both published in Rio de Janeiro in 1857 were L.P. de Lacerda Werneck's *Estudios sobre o Crédito Real e Hipotecario seguidos de Leis, Estatutos e Outros Documentos*, and the anonymous *Institucao de Crédito Territorial*. However, proposals and realities differed: the only bank that formally issued mortgages, the Banco Rural e Hipotecario (founded in Rio de Janeiro in March, 1854), actually focused primarily on short-term commercial transactions, and offered only a very limited amount of mortgage credit. By 1858, this institution had a paid-up capital of 8 million milreis, and even obtained the right to issue its own bank notes during the years 1859-1862. The latter business turned out to be quite profitable, but the bank eventually decided to let go of this issuing right in favor of the Banco do Brasil, and removed its notes from circulation.

Researcher Renato Leite Marcondes has argued that the scarcity of long-term funds for agrarian activities diminished gradually with the approval of the mortgage law of 1864/1865, which encouraged banks to offer this kind of credits, although the volume of transactions in this market would not rise considerably until the 1870s. By then, the Banco do Brasil and the Banco de Crédito Real, had started to offer a considerable volume of 20 year mortgage loans at an interest of 6%, and mid-term/short-term loans at higher rates. Nevertheless, the research of Marcondes and Joseph Sweigart demonstrate that most of the loans were given to big landowners, and that almost none of the new agrarian entrepreneurs were benefited by these loans, at least before 1880.

Most of the banks mentioned so far were essentially devoted to the financing of trade or, on a much lesser scale, to the issuing of mortgage loans. However, there was only one banking institution in Brazil that offered long-term funding for investments in other sectors such as industry and transport, namely the Banco Mauá (1853-1875). Some authors maintain that during its early days, its business model was similar to the *Société Générale de Belgique* – a prototype of European contemporary industrial banks- although it can also be surmised that it was strongly influenced by the French *Crédito Mobilier*, the most important European investment bank during the 1850s, and a keystone of the financial empire of its founders, the Pereire brothers from Paris, who have frequently been described as Saint-simonians. However, such interpretations remain controversial.

Notwithstanding the potential influence of the French and Belgian models, the bank of the Barón de Mauá was in practice a mixture of an English private bank and an investment bank. In a recent and much detailed historical work, based on public archives, economic historian Carlos Guimaraes has extended our available information about the *modus operandi* of this singular bank and of its main owner, who was undoubtedly the most daring and innovative entrepreneur in South America during the years before the bankruptcy of his bank in 1875. Mauá fostered the emergence of several of the most important corporations of the time, including shipyards and foundries, the São Palo railroad, the first gas company of Ríó de Janeiro, and the main steamboat navigation company plying the Amazon River. In fact, Mauá consistently reflected the characteristics of the traditional “merchant banker” and the modern investment banker.

This remarkable business man had begun his commercial career financing the Anglo-Brazilian trade through the foundation of the private bank Mauá, MacGregor & Company, with offices in Ríó and in London. Historian María Bárbara Levy has pointed out that ever

since 1855, the Banco Mauá started to issue bearer notes which were broadly used and had practically “todas as características de uma moeda fiduciária, de emissão particular”, despite the fact that the Banco do Brasil enjoyed a quasi-monopoly of banknotes. The success of Mauá awakened the concerns of a number of powerful political figures, and therefore he was removed from the direction of the official banking institutions, although he remained a prominent shareholder. Nevertheless, this did not stop Mauá, and he became the only significant adversary to the most conservative policies of the Banco do Brasil. The strong critiques and obstacles against his company made him opt for a business model based on the French “société en commandite par actions”, which allowed him to eschew the rigidities of Brazilian mercantile legislation. However, the government did not allow him to do this either, and his firm ended up as a traditional English-style private banking house named Mauá, MacGregor and Company, with a partner and an office in London, and the rest of its branches in a number of South American cities.

In practice, it is a very difficult task to precisely evaluate the importance of the Banco Mauá in the commercial banking sector or in Brazilian capital markets, given that most of the available studies are biographical works, and do not include financial statements of this banking house, except for the ones that were located by Carlos Guimarães in public archives. The original papers of this bank have disappeared, which is unfortunate, since the fact that Mauá was the first banker of the region whose operations extended to several countries makes the study of this business crucial for the understanding of the banking history of Brazil and a large part of the River Plate in this era.

### Banks in the Argentinian Confederation and Uruguay in the mid XIX century

In the late 1850s, the Barón Mauá decided to embark on a southwards expansion of his financial empire by establishing branches in Montevideo, Buenos Aires and Rosario. At Rosario, his bank performed the classic activities of a government lender, serving as banker to the general and landowner José de Urquiza, as well as being the most important lender to the government of the Confederation (1853-1862), a political alliance constituted by the union of most of the Argentine provinces against Buenos Aires governor Juan Manuel de Rosas. With the fall of Rosas, in 1852, the Brazilian banker Mauá was able to expand activities in the Río de la Plata area.

Intriguingly, Mauá did not support the constitution of the Banco Nacional de la Confederación (1854), sponsored by the government of the Confederation on the basis of a financial project promoted by Mariano Fraguero, a merchant banker who was, for a short period, finance minister during the Urquiza administration. This early official bank suffered failure because it had insufficient metallic reserves to support the issue of paper money, despite being declared legal currency. The bills of the Banco Nacional did not enjoy widespread acceptance among the merchants and farmers of the provinces, and neither did it achieve a reasonable amount of deposits. The Banco Nacional de la Confederación and all of its branches were closed on September 26, 1854, only six months after its founding. Shortly after, many of the tasks of this ill-fated institution were assumed by a Rosario banking house established by financier José de Buschental, although later transferred to Mauá, the Brazilian banker.

At this time, Mauá also collaborated financially with the agitated and unstable Uruguayan government, a fact which evokes the political, military and commercial

interests that Brazil had in the economy and politics of the “Banda Oriental” (Uruguay). . The activities of the Brazilian banker were closely tied to Buschental, who owned a prominent financial house in Montevideo and would later be an important champion of urban development projects, as well as becoming a major landowner. Mauá opened a banking house in Montevideo in late 1853, and started acquiring great ranches as well as investing in a gas company, and the development of Montevideo’s harbor. At the same time, he was an active participant in the debates over the pros and cons of the establishment of a national bank, as we know due to the classic works of historian Juan Pivel Devoto on early Uruguayan banking, studies which, surprisingly, are rarely cited by modern historians.

In practice, the Banco de Mauá in Montevideo was primarily focused on financing governmental activities: it provided short-term funds and negotiated several long term loans for the Uruguayan government, and successfully sold its bonds on Río de Janeiro’s capital market. In the letters that the Barón de Mauá sent in 1854 to Andrés Lamas –a distinguished and influential Uruguayan diplomat and politician- he emphasized the advantages of establishing a government bank in Montevideo but suggested that the appropriate model for the institutional restructuring would be the Banco do Brasil rather than the Banque de France. However, such a project did not come to fruit and as a result the private bank of Mauá soon became the main banker of the Uruguayan government and obtained issuing rights for its banknotes. The exposure of the firm to risk was quite high because of political and military instability as well as frequent changes in Uruguay’s monetary regime - from convertibility to inconvertibility - which caused banking panics.

The intense activity of Mauá and his transactions with the Uruguayan government generated resentment among the most prominent merchant bankers of Montevideo, a group whose members supported a type of gold standard and discredited the inconvertibility of money, thereby earning the nickname of “oristas”. One of their main bastions was the Banco Comercial, founded in 1857 by some of the major capitalists of the city, among whom were Pablo Duplessis, Pedro Saenz de Zumarán, Juan Ciblis, Tomás Tomkinson, and Samuel Lafone. Shortly after, on January 13, 1863, the Banco de Londres y Río de la Plata opened an office in Montevideo, on Cerrito street, situated precisely between the buildings of the Banco Mauá and the Banco Comercial. In March, 1865, it also was granted banknote issuing rights by the government, and changed its original name to London and River Plate Bank, Ltd., thereby gaining managerial autonomy from its counterpart in Buenos Aires. This bank prospered by taking advantage of the expansion of the country’s cattle raising activities, and contributed to attracting the first flows of foreign investments to Uruguay. (See TABLE 3.)

In the early 1860s, Mauá remained the most important banking firm in Montevideo, but it suffered a number of adversities originated by its excessive close financial relationship with the government. These problems were so grave that, eventually the circulation of its bank notes ceased to be accepted by most of the merchant houses of Montevideo, which led the government to react rather desperately and to declare its circulation mandatory, but this was not an effective solution. Mauá was forced to decrease his activities and was involved in legal conflicts for years. Given these circumstances, the government had no other alternative than to request loans from other banks in order to cover its large deficits. A first important case was the major loan contracted with the

company of Lezica, Lamos and Flynn, an Argentinian-Uruguayan firm established in Montevideo in 1868 by wealthy merchants. This firm was the agent of the “Empréstito Argentino”, the Uruguayan’s government million-peso debt issue, which carried interest rates as high as 1.5% monthly. According to the contract, the bonds would be traded at 88% of its face value and the government would offer monthly collateral of thirty thousand pesos of customs revenues, which was to serve as payment of interest. In September, 1870, this same firm negotiated a new loan for the Uruguayan government, for 2,5 million pesos, which was officially denominated “Empréstito Platense”, but the financial and political conditions continued to be extremely instable. Every bank in Montevideo suffered the financial consequences of the civil wars between 1870 and 1872, but their effects were especially grave for those institutions with the strongest connections to governmental finance: both the banking firm Lezica, Lamos y Flynn, and the Banco Mauá would eventually go bankrupt in 1875. In contrast, the Banco Comercial and the Banco de Londres, both holders of considerable gold reserves, successfully overcame wars and financial crises.

#### Banks in Argentina: between the State and the market

As in Brazil, the Argentine banking take-off occurred during the 1850s. It was also characterized by the hegemony of an institution with particularly strong connections to the government: the Banco de la Provincia de Buenos Aires (BPBA), founded in 1854. Nevertheless, it is desirable to mention some of the private banking institutions which emerged during that time, specifically in the city and port of Buenos Aires. In contrast with the BPBA, which performed the tasks of a “universal bank”, the early private banking firms in Buenos Aires, were essentially devoted to the financing of international and domestic

trade. For instance, the Banco de Londres y del Río de la Plata, established in 1863 by a union of Anglo/Argentinian merchants and London investors, specialized in the discount of notes from importers of British industrial goods and of exporters of ranching products sent to England. It was banker to the first British railroad firm, the Buenos Aires Great Southern Railway Company, which was established in 1864 which experienced rapid growth. From 1866 on, the London bank opened branches in Córdoba and Rosario, and these branches were granted the right to issue banknotes but did so initially on a modest scale. Later, the London Bank of the River Plate opened five city branches in Buenos Aires as well as in the port city of Santa Fe, and it was able to create an important network of international clients, with correspondents in Paris, Hamburg, Amsterdam, Berlin, Genoa, and New York, as well as Brazil, Spain, Portugal, and even Saint Petersburg.

There were other banking firms whose main focus was on the finance of trade with countries of continental Europe. In this regard, and for a while, the role of the Banco Mercantil de Río de la Plata was remarkable: it was established in 1872, as a successor of the merchant banking firm Wanklyn y Cía., which had emerged in 1869 as a Buenos Aires agency and partner of a London firm. Its paid-up capital was of 5 million gold pesos; it opened an office in Montevideo, and financed mercantile transactions with many European cities, which is why it changed its name to Banco Comercial de Río de la Plata. The founders were a group of powerful cosmopolitan financiers with 27 members, among whom were the baron Louis d'Erlanger, Henry Oppenheim, Louis Beer, the London banking firm of Raphael, as well as the Bank of London, and the Banque de Paris et Pays Bas, controlled initially by the powerful Bischoffsheim family of bankers.

Similarly complex was the Deutsche Belgische la Plata Bank, established in 1872, being sponsored by the German banking firms of *Disconto Gesellschaft Bank* and S. Oppenheim and Co., as well as by the Austrian bank *Österreichische Kreditanstalt*, a subsidiary of the Rothschild family empire. Its initial capital was 10 million thalers, and it played an important role in the financing of trade between the River Plate, Germany and Belgium during the 1870s. It later participated heavily in an unfortunate loan to the Uruguayan government in 1883, which was never paid; the settlement of this loan included 1,250,000 pesos for the amortization of an earlier loan from the Belgian-German bank, but the bank went into bankruptcy due to the negligent management of its activities.

It is also important to comment on a range of private banking houses in Buenos Aires that became increasingly important financial actors in the buoyant Buenos Aires financial markets of the last third of the nineteenth century. Among these were the firms of Ernest Tornquist (1872), Bunge/Born (1883) and Alberto Bracht (1881), which were probably the most important houses engaged in the Belgian-Argentine trade; also important were the private financial and mercantile companies of Portalis and Bemberg, that dominated the trade between France and Argentina; and the Antonio Devoto company, which was the most important firm handling transactions between Italy and Buenos Aires. This last firm accumulated such a fortune that in 1872, Devoto founded the Banco de Italia y Río de la Plata, with an initial capital of 1,5 million gold pesos.

The operational and managerial structure of the private merchant banking firms were not exactly identical, but there were some similarities that are worthy of further explanation. First, the founding partners were usually immigrants (or sons of immigrants) with commercial experience and capital, which they were able to multiply because of their business acumen, but also due to their social and political connections. Second, whereas

most of the already mentioned firms were specialized in international trade, they also held strong relationships with a broad scope of local consignment firms whose trading activities they financed. In the case of wool exports, for example, it was essential for the houses of Bemberg, Tornquist, Bracht or Bunge, to establish alliances with the consignment houses that were owned by landowners who also possessed mercantile firms, like those of the Unzué, Ocampo, Casey, Lanusse and Duggan families, which dominated the wool, leather, and other cattle domestic trade from the 1850s. In short, even though the exporting firms of Buenos Aires were capable of sending correspondents to the country, they generally lacked the sufficient amount of specialized workers and knowledge required in order to perform this task with efficacy, and were inclined to rely on local merchants. On the other hand, in order to place the export products in specific European markets they relied on European-based merchant firms. Thus the private bankers of Buenos Aires were essentially high-powered intermediaries of the export trade, but soon also became key financiers to domestic firms and intermediaries for European banking houses interested in the River Plate.

Notwithstanding the importance of such private bankers for the financing of Argentine trade, the Banco de la Provincia de Buenos Aires held a privileged position in terms of both size and functions. In fact, this institution was the point of intersection of politicians, a great number of Buenos Aires businessmen, and a very extensive group of rural clients, which included not only the big ranch owners but also the middle-sized proprietors, as well as the promoters of agro-industries, and the directors of the first state-owned railroad that began operations in 1857.

During the years between 1835 and 1852, the government of the State of Buenos Aires, led by Juan Manuel de Rosas, had resorted to the official *Casa de Moneda* in order

to cover its deficits: this mint did not put out any metallic money but rather issued a great number of banknotes, which were used not only to cover government expenses but also as means of payments for commercial transactions in the capital city and throughout the province which had a dynamic ranching economy that required an abundance of means of exchange. After the fall of Rosas in 1852, the merchants and rural proprietors of Buenos Aires favored the project of a future public bank, but it was not until as late as 1854, after the political divorce between the government of the Argentine Confederation and the autonomous State of Buenos Aires, that the *Banco de la Provincia de Buenos Aires* came to be founded as a public deposit and discount bank.

The person appointed by the government of the State of Buenos Aires to draw up the statutes of the bank was Domingo Vélez Sarsfield, an experienced Cordoba lawyer and politician. He had adequate preparation to conceive the legal framework for a new bank since he had been, in his youth, a professor of political economy at the Buenos Aires Law School. It is important to point out his affinity for the French economists with whom he became familiar through the reading of books and articles, including notably the *Journal des Economistes*, published since 1842, that Velez received regularly. This familiarity with French publications, undoubtedly influenced the constitution of the new bank, and it is evident if one reviews the content of the earliest annual reports of the Banco de la Provincia: indeed, it is possible to surmise that one of the principal models for its structure and operation was the famous *Crédit Foncier de France*, founded in 1852. Nevertheless, the Buenos Aires bank also incorporated some of the features of the equally famous *Crédit Mobilier* from Paris, a pioneer of long-term investments. Following the models of these French institutions, the Banco de la Provincia issued short-term, mid-term, and long-term loans at low interest rates, thereby fostering regional economic expansion.

From 1863 on, the BPBA became a mixed-capital company, with strong participation of the provincial government. The bank soon established branches throughout the vast province, which was, at the moment, experiencing an unprecedented economic boom based on cattle and sheep ranching, some agriculture, and trade. The Banco de la Provincia de Buenos Aires (BPBA) was soon baptized as financial promoter (“habilitador”) of rural production (wool was the leading export) in the province, since it offered funds at reasonable interest rates to several thousand mid-sized and large landowners. But it was not simply a commercial bank. It had characteristics of a government bank with a virtual paper money issuing monopoly and handled the government accounts and its domestic debt. At the same time, it functioned as an efficient private commercial bank, which managed to attract and gather the savings of most of the farmers and merchants by offering attractive passive interest rates, and also offered credit to businessmen from all over the province. In order to achieve this, the BPBA created a vast network of branches, and within a decade it became the major bank in Latin America –in terms of total deposits and credits-, a status which it would retain until the late 1880s.

The early history of this bank was written first by Oscar Garrigós, in a volume published in 1874, and was later extended with the works of Andrés Lamas (1886), Sixto Quesada (1901), Nicolás Casarino (1922) and Horacio Cuccorese (1972). Another important study is that of Hilda Sabato on the history of the production of wool in Argentina, which emphasizes the importance of the Banco de la Provincia and its relations to ranchers and traders during the mid nineteenth century. All of the referred authors affirm that the Banco de la Provincia devoted most of its activities to the private sector. The management of the deposit accounts was quite original; according to Andrés Lamas, it made the distinction –typical of Scottish banks- between savings and checking accounts.

The originality of its operations can also be seen on the manner in which it managed its profits, which were systematically capitalized. Andrés Lamas stated in 1886: “without this profit capitalization, the Bank would have never achieved the level of confidence it enjoyed, which also produced large inflows of savings and capital that were gathered by its vaults...”

In regard to the supply of credits, a very original element, commented by all of the contemporary authors, was the fact that a large fraction of the loans of this institution were characterized as being “*de habilitación*”, thereby constituting an important source of medium term capital for producers. Although the maturity of loans was initially of 90 days, these were frequently renovated and extended. Even more advantageous was the fact that the official bank issued loans at annual interest rates between 8 and 10%, which were substantially lower than the private credit-market rates. This was evidenced during the discussions regarding the financial reforms of 1863, when the finance minister, Vélez Sarsfield, pointed out that current interest rates on commercial credit fluctuated broadly; in Rosario, for instance, the minister stated that commercial annual interest rates could go as high as 24%, whereas in Buenos Aires the mean annual rate was around 12%.

Moreover, the credits of the BPBA were not limited to the mercantile sector –as was the case with most of the commercial banks in Buenos Aires and Rosario; they were also offered to ranchers –chiefly for the increase of sheep and wool production, to agro/industrial businessmen –promoters of flour mills, owners of candle factories, tanneries, and distilleries-, and to some larger companies such as the state railway firm, the Ferrocarril del Oeste de la Provincia de Buenos Aires, the first of its kind in the country, also founded in 1854.

On the other hand, the attributes of the Banco de la Provincia with regard to public finance were quite ample. In fact, despite the fact that BPBA was run much as a private bank since the members of its board were prominent merchants and landowners, it was in practice, a government bank. Not only did it receive the deposits of the state custom and tax offices, it also bought public bonds and offered direct loans to the national and provincial governments; it also enjoyed a virtual monopoly on paper money issue, at least until 1872. It therefore became an indispensable intermediary for the public administration in the monetary and financial spheres. After 1862, when the state of Buenos Aires was incorporated into the national government, there existed a symbiotic –but at the same time contradictory- relationship between the nation and the province, in which the bank played a key but complex role in the management and evolution of the Argentine finance and politics.

According to economic historian Roberto Cortés Conde, the *Free banking* law project presented by finance minister Vélez Sarsfield to the nation's Senate in May, 1863, was directed towards “the replacement of the (Buenos Aires) province's paper money with banknotes”. In reality, the purpose was to establish a system similar to the one of the United States, based on the plurality of issuing banks. Cortés Conde noted that Senator Lucas González was the most active speaker of the legislative commission in behalf of “free banking”, arguing that the role of the BPBA was a major obstacle to such a system. He argued:

The first is the regulative, monopolist, forbidding, privileged system, the French system for instance; the second, the liberal system is like the one of Scotland and the USA, which attributes to the merchant and the banker the direction of commercial operations. The first system leads us to State Banks, true political instruments when placed in the hands of the governments...”

(Cortés Conde, *Dinero Deuda y Crisis* (1989), p. 31.)

The real debate, however, was not about whether other banks established at that time in Buenos Aires, Rosario and Córdoba should have the possibility of issue of banknotes but whether a virtual issuing monopoly should be conceded to the Banco de la Provincia. On this matter, the most intense opposition was displayed by the distinguished intellectual Juan Bautista Alberdi, who asserted that “The Banco de la Province is the real dictator of Buenos Aires”. In addition, Alberdi considered that this institution threatened the economic freedom: “It is socialism, constituted in a way not consecrated by Saint Simon, Fourier or Proudhon”. And he added that the Buenos Aires state bank had a power superior to that of many of its foreign counterparts.

“There are plenty of known examples of State Banks, and of great States, that lack the power of solvency and credit that the Banco de la Provincia de Buenos Aires has. Such are the banks of *Rusia*, of *Austria*, of *Brazil*, of *Turkey*, that issue public debt in the form of paper money of legal or mandatory circulation”

The credit of the Banco de la Provincia, according to Alberdi’s interpretation, “relies upon the Buenos Aires customs office”, and therefore constitutes a double monopoly. For Alberdi, the lesson was straightforward: it was necessary to ratify and execute banking freedom as quickly as possible. Nonetheless, the BPBA was powerful and successful, and it remained hegemonic over the whole monetary and banking system of eastern Argentina at least for another two decades. The project of Vélez Sarsfield, which allowed the establishment of commercial banks with issuing rights –though backed by metal reserves-, was approved by the Senate, only to be later dismissed by the Chamber of Deputies.

In any case, the bank bills of the Banco de la Provincia de Buenos Aires achieved general acceptance, due, at least partially, to the approval of the monetary law of 1867, which adopted the principle of convertibility of paper money into gold –particularly in the

case of the provincial bank-, and established an exchange rate of 25 paper pesos for one peso fuerte (payable in gold or silver). Because of the large amount of money already in circulation – more than 300 million pesos in currency in 1867, the decision was taken to create an important metallic reserve to serve as backup for the issues of the main bank.

One of example of the strategic relationship established between the BPBA and the national government can be observed at the time of the outburst of the War of Paraguay, which involved every nation adjacent to the Río de la Plata. In order to pay for war expenses, in April, 1865, the Argentine government negotiated two short-term loans with two private financial firms from Buenos Aires: the Banco de Londres y Río de la Plata, and the local agency of the bank of the Barón de Mauá. Simultaneously, the state agents requested additional funds from a number of wealthy merchants, among which were Mariano Saavedra, Manuel Guerrico, Thomas Armstrong and Juan Anchorena, who subscribed credits in order to finance the recruitment and provision of the first military expeditions sent to Paraguay, at interest rates of 18% annually. In the middle of May, an important group of bondholders, mostly from Santa Fé an Entre Ríos, led by the merchants Mariano Cabral, Guillermo Thompson, Aldao y Cullen, Enrique Ochoa, and Bernardo Iturraspe, also offered a total of 300,000 additional pesos in short-term loans at equally high interest rates.

But as the war progressed, the government required a larger volume of mid-term and long-term funds, at lower costs. The commercial loans mentioned were far too expensive, with interest rates as high as 18%, like the one offered by the Banco de Londres y Río de la Plata. In order to cover a fraction of the war expenditures, the government issued debt in London in 1866 and 1868 at a rate of only 6%; however, these credits had to be paid in sterling and turned out to be quite expensive since the bonds were sold at great

discount. In order to cover the rest of the war expenses there were only two alternative options: to sell bonds in local markets in small quantities and very high interest rates, or to obtain large and relatively cheap loans from the principal financial institution of the country, the Banco de la Provincia de Buenos Aires. In fact, the funds provided by the provincial bank were crucial for the financing of the war and implied low costs, since the interest rates charged by this bank were no higher than 9% annually. In total, the provincial bank granted about six loans to the government between 1865 and 1870, for a sum of 15 million pesos, tantamount to approximately half of the total expenditures made during the War of Paraguay (1865-1870).

The collaboration of the bank was clearly indispensable for the government but that did not necessarily imply that the bank suffered losses due to these operations. On the contrary, they allowed it to maintain and consolidate its position as the hegemonic institution in the country's credit markets, and especially as the leader institution regarding monetary policy. By 1870, the Banco de la Provincia de Buenos Aires was the largest commercial bank not only of Argentina, but of the whole Latin American region in terms of capital, deposits, and number of branches. According to Mulhall, by 1882, the value of its capital and deposits were equivalent to those held by the Imperial Bank of Germany, which suggests that the BPBA was – on an international scale- one of the larger commercial banks of its time.

Another innovation taken by the Banco de la Provincia was the creation of a large mortgage department, that soon became one of the most safe and profitable, and eventually gave way to the creation of an important mortgage market and, consequently, to the rise in values of rural and urban real estate in Buenos Aires city and province. Later, in order to further distinguish between mortgage and commercial operations, the bank directors

proposed the creation of the Banco Hipotecario de la Provincia de Buenos Aires, (BHPBA) on February 15, 1872. Once again, it is possible to distinguish the influence of a number of banking models within its operational norms and statutes. As pointed out by Francisco Balbín, in the first annual report of this institution, published in late 1872, the mortgage legislation and norms of countries like Germany, France and Belgium were copied by the new bank. Balbín added “just like in France, Belgium, and Chile, we have followed the lessons of a whole century’s experience”.

On a strictly institutional level, it is possible to observe that the Banco Hipotecario was very similar to the *Credit Foncier de France*, because of its hegemonic position on the mortgage market, and its proclivity to offer credits for urban real estate operations, even when most of collateral came from rural properties. However, in terms of the specific methods of fund raising, the BHPBA copied the *Landschaften* (rural owners’ association) and the German mortgage banks that had long developed and used the instrument of mortgage bonds, known in Europe as *Pfandbrief*, which could be traded on both national and foreign markets. In fact, in the cases of Argentina, Uruguay, and Chile, these financial instruments achieved an extraordinary success during the last quarter of the century, and played a major role in the agrarian take off in each of these economies. Moreover, it is reasonable to assert that these instruments –though in a somewhat different manner- remain key elements of mortgage markets in several Latin-American countries up to the present day.

Paradoxically, the great success of the Banco de la Provincia de Buenos Aires was not looked upon too favorably by many Argentine politicians, who came from the central or western provinces of the country, as they feared its power. Eventually they decided to copy its model for the formulation of the first banking project of the national government, the

Banco Nacional, created in 1872. This was closely linked to the fact that several high-ranking officers of the government had gradually become aware of the dependent relationship between the national administration and the provincial bank, a fact evidenced in a congressional report delivered by finance minister Luis Domínguez in 1870, which suggested that the monopoly of the provincial bank was excessively onerous. As examples, he cited the fact that the government was forced to accept the bank's notes for most tax payments, and, in turn, the bank had almost total control over the discount of the commercial notes received by the customs offices.

Soon, several alternatives were discussed in order to curb the power of the provincial bank, and during the administration of President Domingo Faustino Sarmiento (1868-1874), the *Banco Nacional* was established, and eventually opened more than 20 offices, chiefly in the other provincial capitals of Argentina. It was established by a law ratified on November 5, 1872, and received the right to perform discount, deposit, and credit operations. It enjoyed the privilege of issuing convertible bearer bills which were accepted in every public office; theoretically, such issues should have been backed up by metal reserves and could not exceed double of the realized capital, but soon the observance of these norms ceased. Moreover, as an agent of the State in all of its financial operations, it enjoyed especial privileges such as being the preferred institution for fiscal and judicial deposits and for the discount of government notes.

The Banco Nacional was a mixed institution: the national government held approximately 10% of the original capital (20 million pesos, national currency), and had the right to assign three of its twelve directors. Soon, it became the adversary of the Banco de la Provincia de Buenos Aires since it was assigned control of the the accounts of the

federal government but its early development was hampered by the economic crisis of 1873-1876.

After 1880, both the Banco Nacional and the Banco de la Provincia de Buenos Aires continued to grow at an extraordinary speed, matching the dynamic economy of the Argentinian littoral, which reached some of the highest growth rates in the world. In 1883, Michael Mulhall, editor of *The Buenos Aires Standard*, and one of the major experts in international statistics, stated in his *Handbook of the River Plate*, a series of observations about the Banco de la Provincia that are worth citing:

“The Provincial Bank of Buenos Ayres is equal both in capital and deposits to the Imperial Bank of Germany. Its deposits are, moreover, equal to the annual average of deposits in the Bank of England during the years 1840-1850. Its issue is superior to that of all the banks of Scotland (1882) in the aggregate.”<sup>2</sup>

A similar view was documented in the classic text of Pedro Agote (1887) on the banks of Argentina. Agote was then the preeminent expert in economic statistics of the country and in his book, he included a comparative table of the Argentine banks that clearly illustrates the absolute preeminence of the two large state banks, a fact which would appear to offer interesting opportunities for future research.

### The first banks in Cuba, 1856-1878

In the 1850s Cuba was still a Spanish colony, but it also experienced an early banking takeoff. In Havana there was an old community of Cuban and Spanish (predominantly Catalan) merchants who, ever since the last part of the 18<sup>th</sup> century, had controlled the local financing of sugar and coffee production. But from the decade of the 1840s, and due to the extraordinary increase of sugar exports, Cuban landowners began to

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<sup>2</sup> M.G. and E.T. Mulhall, *Handbook of the River Plate, comprising the Argentine Republic, Uruguay and Paraguay*, London and Buenos Aires, 1885, p. 80.

promote the creation of credit institutions in order to facilitate the financing of production, transport, and storage of sugar. From 1842 they fostered the multiplication of the credit functions of large collective corporations known as “Deposit warehouses” (“Almacenes de depósito”), which had as a main objective the provision of loans to members of what was really a kind of financial and mercantile cooperative of large and medium-sized merchants.

During the 1850s and 1860s, the sugar boom remained strong and stimulated a notable economic and financial expansion, which implied the creation of a number of new firms. In 1859, there were in Havana approximately 180 houses of commission merchants, 24 money exchange firms, 8 deposit warehouses that served as sugar and coffee consigners, as well as 15 insurance companies, several railroad corporations and steamboat companies. An especially notable feature of the Cuban economic expansion of the age can be found in the establishment of new banking institutions, most of them established between 1856 and early 1857; this was quite a singular phenomenon, since it qualifies as the most important bank-creation era in Cuba during the second half of the nineteenth century.

The first major banks of the island were the Banco Español de la Habana established in 1856, and the Banco de Crédito Industrial, the Crédito Inmobiliario, the Fomento Cubano, and the Banco de Garantía y Crédito, founded in 1857. These institutions represented an important step towards the transformation of Cuba’s financial markets, and the reduction of the oligopoly power executed by the wholesaler houses of La Habana over the production and trade of coffee and sugar. However, one must admit that a considerable number of the novel banks were controlled mainly by the large merchants, who used them to obtain funds which they later offered to landowners at higher rates.

This early blossoming of financial companies was almost immediately undermined by the outbreak of the 1857 international crisis, which had a strong impact on the Cuban

economy because of the abrupt drop of prices of tropical products, and the several-month-long paralysis of international trade credits in the financial markets of London and New York. Nonetheless, the novel Cuban banks were still relatively small and rather capitalized, and were therefore able to survive.

In general, these financial enterprises were founded by groups of merchants and landowners who shared in the furor of company creation during those years, being impelled by the extraordinary abundance of capital due to the boom of cane sugar exports – a commodity in which Cuba was the world leader. In some cases, the emergence of banking institutions was related to projects of infrastructure promoted by the government of the island or by the Havana municipality. Such was the case of the Sociedad General del Crédito Mobiliario Fomento Cubano, which served as financier of large sugar plantations and refineries, promoter of deposit warehouses, docks, foundries, railroads, and some public works such as the renewal of the great city wall of Havana. This firm was supported by the Banco Español de La Habana, and was thereby able to acquire a large portfolio of stocks of at least a dozen of the new banks of that time, which clearly denotes a powerful network of intertwined entrepreneurial and political interests.

It is tenable to assert that the principal bank engaged in rural and mortgage credit was the Sociedad General del Crédito Territorial Cubano, which collaborated in the renegotiation of old ecclesiastical debts of many agrarian properties, and consequently, helped to develop a process of gradual disentanglement. Its founders were native plantation owners who sought independence from La Habana merchants in terms of credit and who advocated significant advances in the expansion of mortgage credit.

From the beginning, the major Cuban commercial bank was the Banco Español de La Habana, founded in 1856. Besides operating as a commercial bank, it maintained a close

relationship with the government and enjoyed the monopoly of issue of paper money. Hence, it was a private bank, but with several key privileges such as the handling of the government's accounts and the possibility of issuing banknotes which turned out to be significant opportunities for profitable business, as reflected by the considerably high dividend yield earned by its shareholders during a long time. In order to raise the sufficient amount of capital for the foundation of the new institution, 6,000 shares were sold in 1856; half of them were bought by 70 of the most important merchants of Havana, while the other half was acquired by small merchants and professionals, as demonstrated in the research by Inés Roldán in her magnificent studies on this bank. However, in practice, the financial firm was controlled by no more than twenty important capitalists, who eventually realized that they would need governmental approval in order to perform most of the bank's activities. The Banco Español received deposits (and initially paid a premium over them), offered loans to private clients, handled remittances to Europe and traded in stocks, but it also played a major role in the management of public finance. Besides taking charge of a substantial part of the customs revenues and managing the payroll of civilian and military officers, this quite special banking institution was obliged by the Spanish government, to acquire short-term bonds and advance funds to the government treasury in the form of banknotes.

For the colonial government, this relationship with the Banco Español was strongly beneficial since the interest rates the bank charged for loans and advances was between 4 and 5%, a much lower sum than that required by the private lenders who had managed part of the official accounts before 1855. At the same time, the issuing privilege granted to the bank provided a number of considerable advantages since the bank enjoyed flexibility with regard to the enlargement of its credit portfolio relative to the situation of other

contemporary Cuban banks. The business of the Banco Español de La Habana, however, suffered a substantially high level of volatility as a consequence of the financial and commercial crises in 1857 and 1866, but the situation was made much worse as a result of the *Ten Year War* (“Guerra de los diez años”) that spanned the decade of 1868-1878. During this period, the Spanish government dramatically increased the size of its military forces, and thus, the army provision business also grew considerably. The Banco Español was summoned to support the regime against the insurgents and financed several military campaigns by issuing an enormous volume of paper money, which soon ceased to be convertible due to the substantial gold outflows from the island to Europe. Between 1868 and 1873, the profits of the bank were among the highest ever, but eventually, the inconvertibility of paper money, along with inflation, would bring about nefarious effects.

As can be seen in Figures 4 and 5, the issue of banknotes devoted specifically to the war rapidly outran all issues for commercial purposes. The increase in circulation of paper money inevitably provoked rapid inflation and a marked decrease in the gold value of the bank bills. The Banco Español de la Habana survived the war but on much less favourable terms than had been the case in the halcyon days of the sugar boom of the 1850s and 1860s.

#### Conclusions:

This brief historical view of early banking in Argentina, Brazil, Cuba and Uruguay points to a number of parallels and contrasts, although we should note our conclusions are provisional as we are engaged in on-going research on the subject. The main conclusions are the following. (1) The establishment of durable banks and banking systems began in the 1850s and 1860s in most larger Latin American nations and economies, although subject to important fluctuations due to economic crises and local wars ; (2) most banks specialized in

commercial banking but there are interesting cases of enterprises devoted to mortgage banking and exceptionally to investment banking; (3) in the countries analyzed, the largest banks were banks closely tied to the government, although they were mostly private banks; (4) a close relation to the government in general implied the possibility of obtaining a monopoly of issue of bank notes, which tended to become the common medium of monetary circulation in leading cities and ports, particularly in the export zones; (5) these large and “official” banks played a major role in the management of public finance, but merit much more detailed study; (6) during the wars of the late 1860s, the official banks of Argentina, Brazil, Cuba and Uruguay were forced to increase loans and, in some cases money issue, to cover government deficits; (7) the directors of the banks constituted a key sector of ruling elites but they have not been studied by historians in sufficient depth in order to reach firm conclusions on the politic, economic and social structures of power in this period in each country; (8) debates between the advocates of “free banking” and those elite members favoring monopoly of issue by one large bank were frequent but situations were quite different in the diverse Latin American nations. In Argentina, Brazil and Cuba, monopoly of issue (or predominance) by an official bank was common before 1880, whereas in Colombia or Chile, plurality of issue was accepted and therefore “free banking” was more successful, at least for a time in the last third of the nineteenth century.

**Table 1**  
**Early banking experiments in Latin America**

<b>Brazil</b>	Banco do Brasil (1808-1829) Banco de Ceará (1836-1839) Banco Comercial de Río do Janeiro (1838) Banco Comercial de Bahía (1845) Banco Comercial do Maranhão (1847)
<b>Buenos Aires</b>	Banco de Descuentos de Buenos Aires (1822-1826) Banco Nacional (1826-1834...?)
<b>Mexico</b>	Banco de Avío (1830-1841) Banco Nacional de Amortización del Cobre (1837-1841)
<b>Bolivia</b>	Banco de San Carlos de Potosí
<b>Cuba</b>	Almacenes de Depósito de Regla, (founded in 1842)

**Table 2**  
**Brazilian Banks: rules governing rights of issue, 1808-1851**

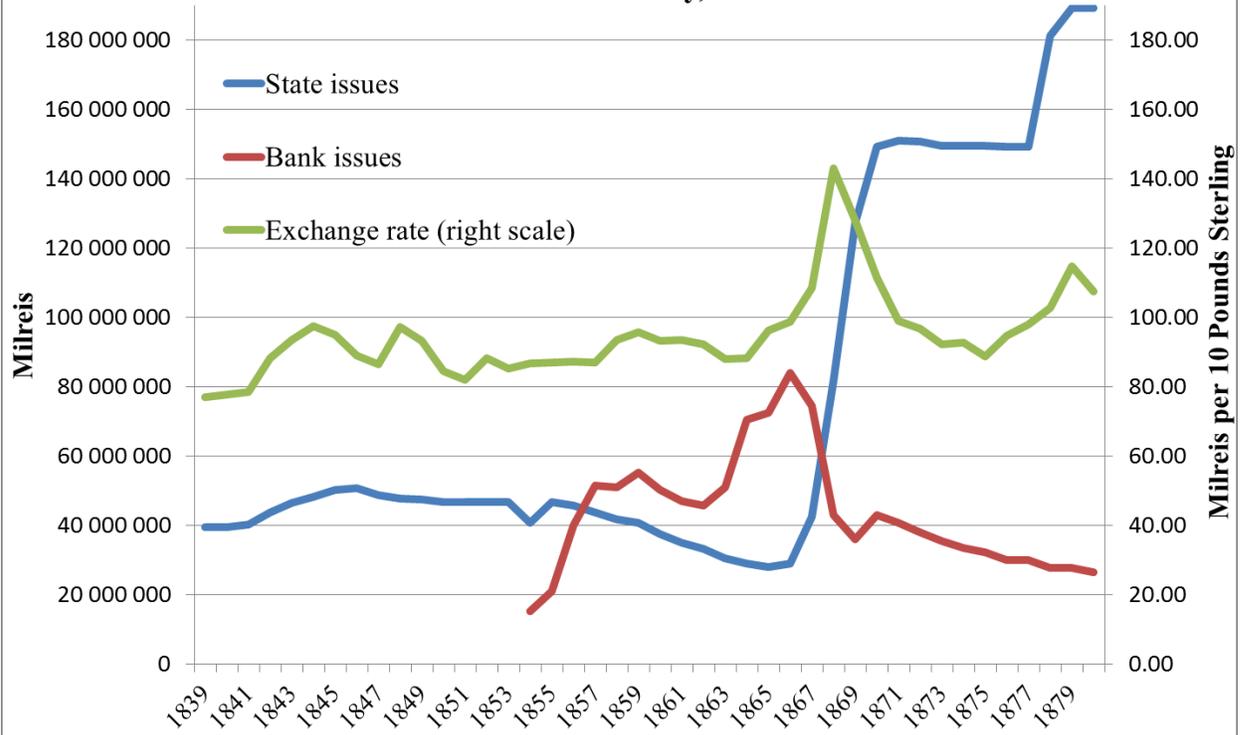
Institution	Date Statutes Approved	Denomination of Notes and Issuing Limits
“First” Bank of Brazil	12 October 1808	- Notes with a denomination of 30\$000 or above - Unlimited issue with the sole proviso that it be done with ‘the necessary caution so as to ensure redemption (for metallic coins) on
Banco Comercial do Rio de Janeiro	10 December 1838	- <i>Vales</i> with a denomination of 500\$000 or above, redeemable in gold or Treasury notes - Issues limited to 1/3 paid-in capital
Banco Comercial da Bahia	13 November 1845	- <i>Vales</i> with a denomination of 100\$000 or above, redeemable in gold or Treasury notes - Issues limited to ½ paid-in capital
Caixa de Economia da Província de Pernambuco	27 April 1847	- <i>Vales</i> with a denomination of 25\$000 to 500\$000, redeemable in gold or Treasury notes, and accepted at provincial tax offices - Issues limited to ½ paid-in capital
Banco Comercial do Pará	14 September 1847	- <i>Vales</i> redeemable in gold or Treasury notes - Issues limited to ½ paid-in capital
Banco Comercial do Maranhão	24 March 1849	- <i>Vales</i> redeemable in gold or Treasury notes - Issues limited to ½ paid-in capital
“Second” Bank of Brazil (Mauá)	2 July 1851	- <i>Vales</i> of no less than 5 days and lowest denomination of 200\$000, redeemable in gold or Treasury notes - Issues limited to 1/3 paid-in capital (*)
Banco de Pernambuco	22 December 1851	- <i>Vales</i> of no less than 5 days and lowest denomination of 100\$000 - Issues limited to ½ paid-in capital

Notes: (\*) the same ratio applied to the branches of the second Bank of Brazil in São Paulo and Rio Grande do Sul, while the lowest denomination of *vales* was 100\$000.

\$000 = *milreis*

Source: Andre Arruda Villela, “The Political Economy of Money and Banking in Brazil, 1850-1870” Ph.D. thesis, London School of Economics (LSE), 1999, Figure 6.3.

**Figure 1**  
**Brazil. Issues of money, 1839-1881**



Source: Liberato de Castro Carreira, *História Financeira e Ornamentaria do Império do Brasil*, Rio de Janeiro, Senado Federal, 1980, vol. 1, p.743.

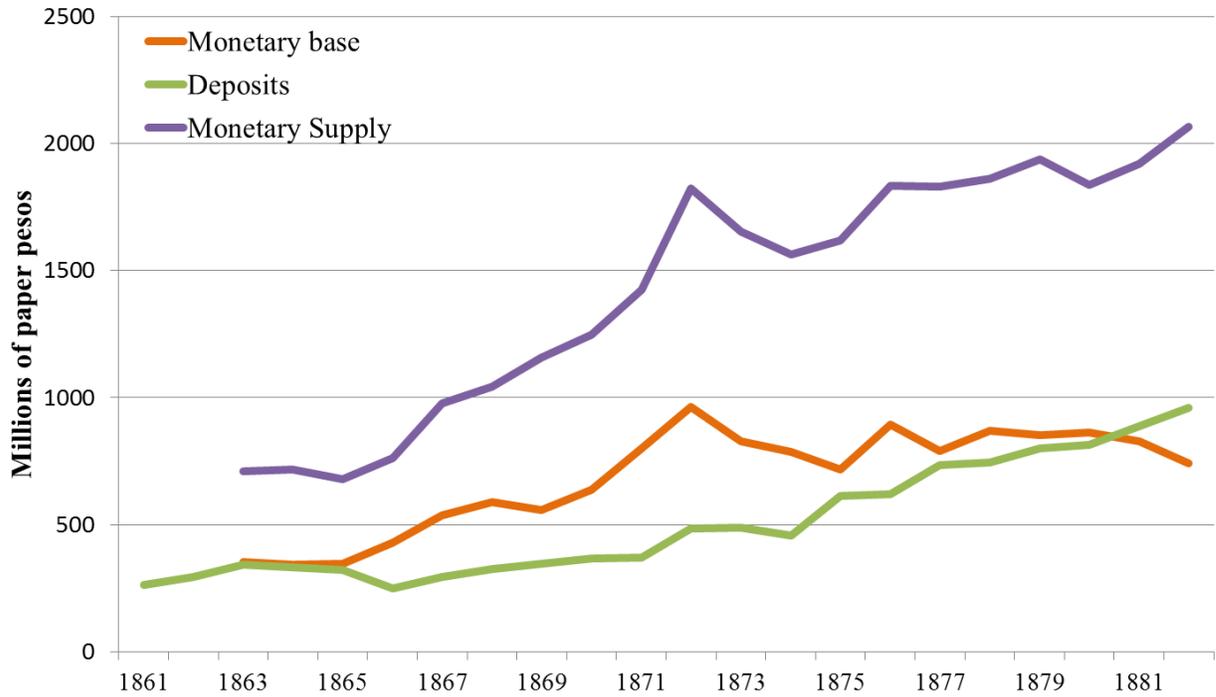
**Table 3**  
**Uruguay**

Bank	November 1867	March 1868		Change
	Issue*	Issue*	Authorized issue*	
Bco. Mauá y Cía.	2 256 425	4 191 807	6 000 000	85.5%
Bco. Italiano	1 396 685	3 492 385	3 727 500	150.0%
Bco. de Londres	565 870	113 700	3 000 000	-79.9%
Bco. Comercial	523 196	398 039	1 413 600	-23.9%
Bco. Montevideo	1 334 118	1 975 006	1 500 000	48.0%
Bco. Oriental	s/d	596 010	555 750	s/d
Bco. Navía y Cía.	865 830	755 956	900 000	-12.7%
<b>Total</b>	<b>6 942 124</b>	<b>11 522 903</b>	<b>17 096 850</b>	

\*Data are in current pesos

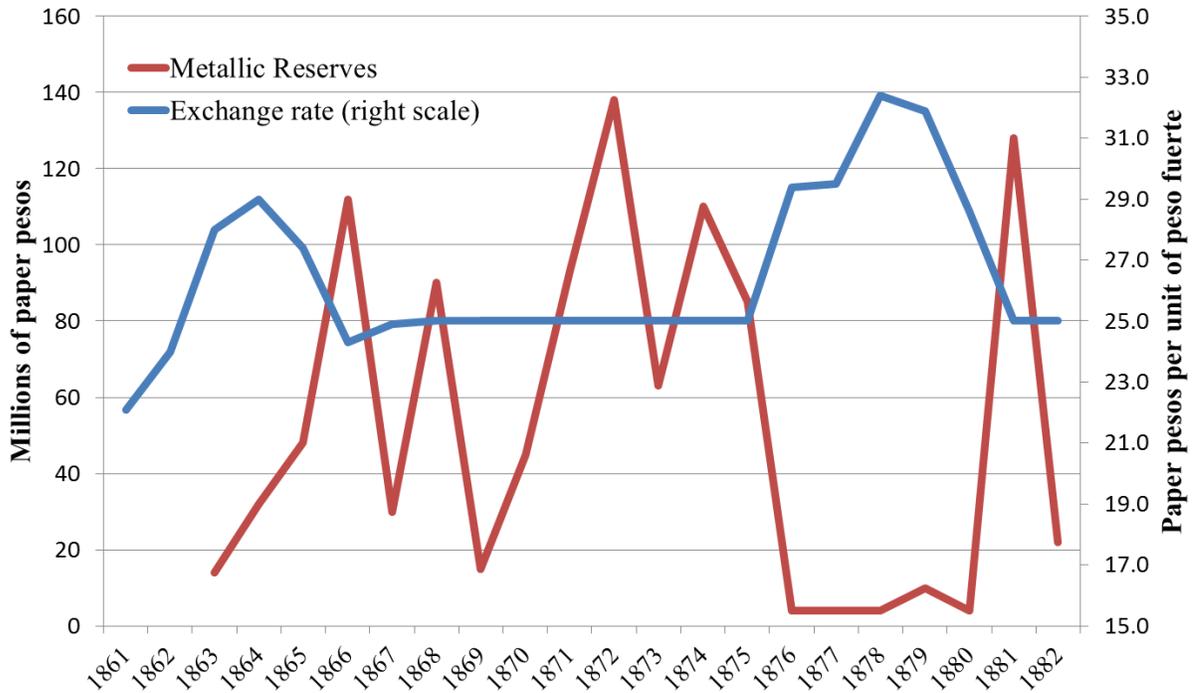
Source: the data can be found in Juan E. Pivel Devoto, "Contribución a la historia económica y financiera del Uruguay. Los Bancos, 1824-1868", *Revista Histórica*, XLVIII, vol. 48, no. 142, 1976, pp. 241-242.

**Figure 2**  
**Banco de la Provincia de Buenos Aires.**  
**Balance sheet data, 1861-1882**



Source: Gerardo della Paolera, y Allan M. Taylor, *Tensando el ancla. La Caja de Conversión argentina y la búsqueda de la estabilidad macroeconómica, 1880-1935*, FCE, Buenos Aires, 2003, p. 52, Cuadro 2.1.

**Figure 3**  
**Banco de la Provincia de Buenos Aires.**  
**Metallic reserves vs. Exchange rate, 1861-1882**



Source: Gerardo della Paolera, y Allan M. Taylor, *Tensando el ancla. La Caja de Conversión argentina y la búsqueda de la estabilidad macroeconómica, 1880-1935*, FCE, Buenos Aires, 2003, p. 52, Cuadro 2.1.

**Table 4**  
**Banco Español de La Habana:**  
**Banknotes in circulation, 1857-1868**  
(current pesos)

Year	Date	Total issued	Bank reserves	Circulation
1857	April 11th (a)	1 500 000	39 850	1 460 150
	December 31st	3 000 000	991 200	2 008 800
1858	June 30th	3 000 000	119 350	2 880 650
	December 31st	3 000 000	64 700	2 935 300
1859	June 30th	3 000 000	57 000	2 943 000
	December 31st	3 500 000	162 300	3 337 700
1860	June 30th	4 000 000	148 050	3 851 950
	December 31st	4 000 000	659 551	3 340 449
1861	June 30th	4 300 000	178 650	4 121 350
	December 31st	4 300 000	39 900	4 260 100
1862	June 30th	4 300 000	55 350	4 244 650
	December 31st	4 300 000	405 300	3 894 700
1863	June 30th	4 300 000	467 300	3 832 700
	December 31st	4 300 000	850 800	3 449 200
1864	June 30th	4 300 000	571 250	3 728 750
	December 31st	4 300 000	159 450	4 140 550
1865	June 30th	4 300 000	78 850	4 221 150
	December 31st	4 300 000	156 800	4 143 200
1866	June 30th	4 800 000	612 350	4 187 650
	December 31st	4 995 000	521 175	4 473 825
1867	June 30th	8 620 150	907 700	7 712 450
	December 31st	10 770 150	437 825	10 332 325
1868	June 30th	12 000 000	781 825	11 218 175
	December 31st	13 199 950	739 630	12 460 320

(a) Date of the second annual financial statement.

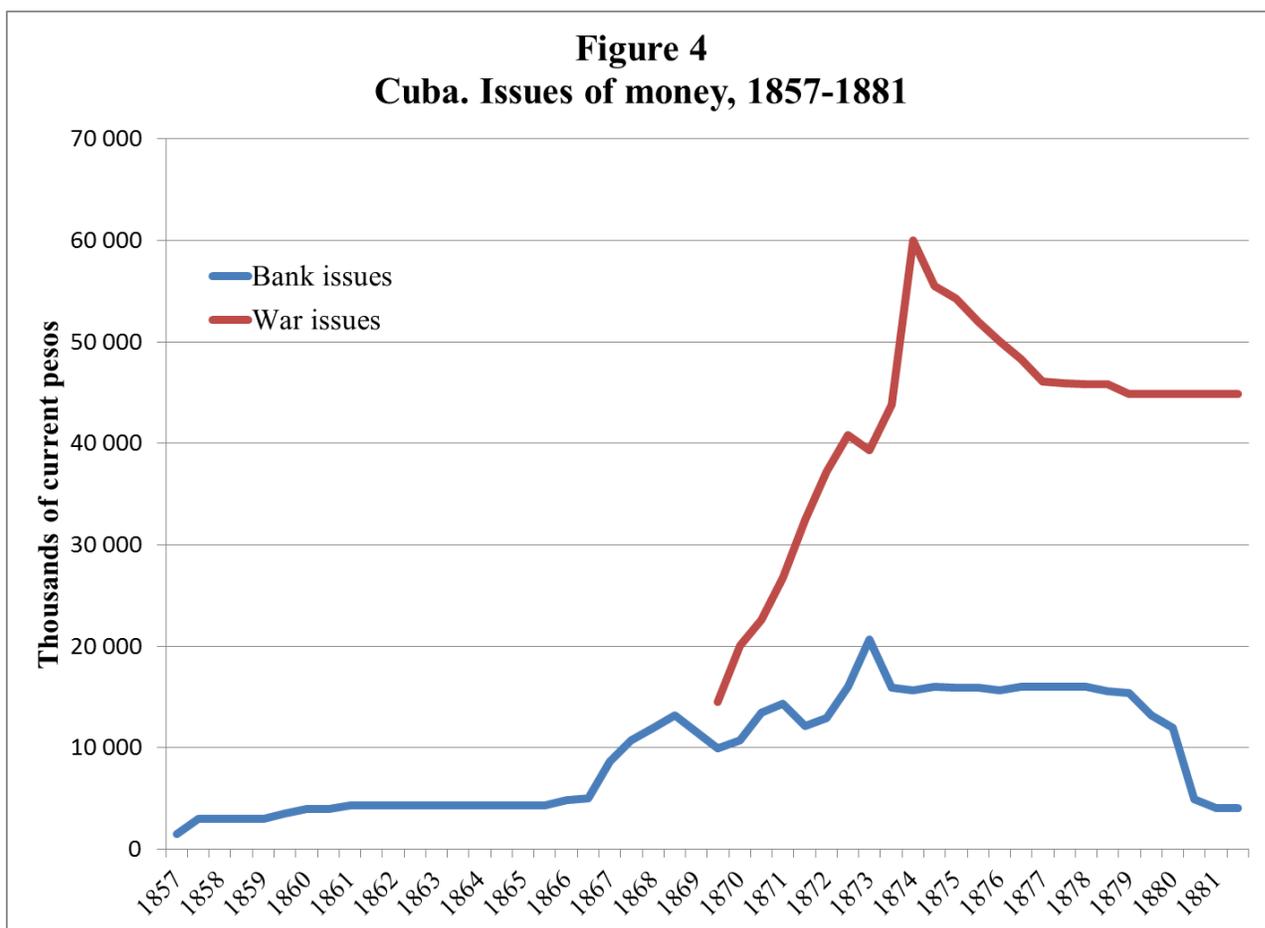
Source: Inés Roldán, *La banca de emisión en Cuba, 1856–1898*, Banco de España, Madrid, 2004, p. 47.

**Table 5**  
**Banco Español de La Habana: Banknotes in circulation, 1869-1881**  
 thousands of current pesos

Year	Date	Total issues	Bank issues	War issues	Banknotes in caja	Gold premium
1869	June 30th	18,863 (a)			1 036	2 1/8
	December 31st	24 478	9 958	14 520	1 190	2 5/8
1870	June 30th	30 835	10 751	20 084	2 504	1 7/8
	December 31st	36 043	13 429	22 614	3 535	3 7/8
1871	June 30th	41 082	14 310	26 772	4 354	5 3/8
	December 31st	44 604	12 100	32 504	4 716	5 3/4
1872	June 30th	50 145	12 893	37 252	4 018	10 3/8
	December 31st	56 828	16 000	40 828	4 983	17 3/4
1873	June 30th	59 990	20 662	39 328	2 907	35 3/4
	December 31st	59 792	15 963	43 829	3 552	87 1/2
1874	June 30th	75 700	15 700	60 000	4 381	161 1/2
	December 31st	71 530	16 000	55 530	1 328	109 1/2
1875	June 30th	70 162	15 913	54 294	3 693	111 1/2
	December 31st	67 864	15 892	51 972	4 002	112 3/4
1876	June 30th	65 759	15 704	50 055	4 377	117 1/4
	December 31st	64 269	16 000	48 269	3 586	119 1/2
1877	June 30th	62 069	15 999	46 070	4 002	125 1/2
	December 31st	61 893	15 988	45 905	3 956	123 3/4
1878	June 30th	61 780	15 971	45 809	3 678	113 7/8
	December 31st	61 417	15 611	45 806	7 311	100 1/4
1879	June 30th	60 327	15 427	44 900	6 712	111 1/2
	December 31st	58 087	13 187	44 900	6 379	136 1/4
1880	June 30th	56 895	11 995	44 900	7 253	126 1/8
	December 31st	49 872	4 972	44 900	6 996	106 1/4
1881	June 30th	48 943	4 043	44 900	7 521	93 1/2
	December 31st	48 922	4 042	44 881	8 098	73

(a) The financial statement of June 30th, 1869 makes no distinction between bank issues and war issues.

Source: Inés Roldán, *La banca de emisión en Cuba, 1856–1898*, Banco de España, Madrid, 2004, p. 74.



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What we present here is a summary of the most relevant publications on the banking history of the larger Latin American countries dealing with the period 1850-1880. We will later translate.

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Para la historia de la banca regional, la investigadora más prolífica que ha trabajado con más materiales de archivo es María Mercedes Botero Restrepo: véase, por ejemplo, su ensayo “La banca regional en Colombia (1872-1923): El caso de Antioquia,” en Carlos Marichal (coord.) número especial de la *Revista de la Historia de la Economía y de la Empresa*,

titulado "Los bancos en América Latina en los siglos XIX y XXI", (Bilbao, 2012), Archivo BBVA, no. 6, pp.77-98.

Sobre la temática de la banca libre en Colombia y el resto de América Latina es conveniente revisar en primer término los debates internacionales, resumidos muy eficazmente en Hugo Rockoff, *The Free Banking Era: A Reexamination*, Nueva York 1975; y Lawrence White, *Free Banking in Britain: Theory, Experience and Debate, 1800-1845*, Londres, 2008. Para estudios específicos sobre banca libre en Colombia deben consultarse L.M. Echeverri, "Banca libre: La experiencia colombiana en el siglo XIX", en F. Sánchez (ed.), *Ensayos de historia monetaria y bancaria de Colombia*, Bogotá 1994, pp. 305–33; A. Hernández, *La moneda en Colombia*, Bogotá, 2001; Adolfo Meisel, "Free banking in Colombia", en K. Dowd (ed.), *The experience of free banking* Nueva York, 1992, pp. 93–102; y J. Timoté, "Desempeño económico y régimen monetario colombiano en el siglo XIX: de la banca libre a la centralización", Tesis de maestría en ciencias económicas, Universidad Nacional de Colombia, Bogotá, 2010.

La obra clásica más renombrada sobre la historia del sistema monetario y la banca en Chile en el siglo XIX es de Guillermo Subercaseaux, *El Papel Moneda* (Santiago de Chile, 1912); y por el mismo autor su obra *History of Monetary Policy in Chile*, Oxford, 1922. Otro estudio clásico sobre la banca es Luis Barros Borgoño, *La Caja de Crédito Hipotecario. Su organización i régimen económico, con un estudio sobre la constitución de la propiedad i el régimen hipotecario*. Santiago: Cervantes, 1912, 2 vols. Un estudio de síntesis fundamental es R. Millar *Políticas y teorías monetarias en Chile, 1810-1925*, Santiago, 1994. Una revisión comprensiva de la misma temática se encuentra en los estudios de Agustín Llona Rodríguez, por ejemplo: "Chilean Monetary History, 1860-1925. An Overview", en *Revista de Historia Económica* (Madrid) xv,1 (1997), 125-160; y su tesis doctoral "Chilean Monetary Policy, 1860-1925", (Ph.D., Boston University, 1990). Otro estudio importante es la tesis de maestría de Cesar Ross Orellana, "Concentración y especulación bancaria en Chile, 1860-1895", Universidad de Chile, 1996, y su libro, *Poder,*

*Mercado y Estado: Los Bancos de Chile en el Siglo XIX*, Santiago de Chile, 2003. Un estudio penetrante y detallado del crédito en la industria minera chilena en el siglo XIX es Pierre Vaysierre, *Un siècle de capitalisme minière au Chili, 1830-1930* (Paris, CNRS, 1980). Sobre el primer banco hipotecario ver Raúl Cordero Rebolledo. *Historia de la Caja de Crédito Hipotecario*, Imprenta Salesianos S.A. Santiago, 1999. Un estudio monográfico detallado sobre un comerciante banquero es Juan Eduardo Vargas Carriola, *José Tomás Ramos Font, una fortuna chilena del siglo XIX*, Santiago, 1988. Para un estudio de bancos y empresas a mediados del siglo XIX que complementa los trabajos de Eduardo Cavieres, ya citado, véase Robert B. Oppenheimer, "National Capital and National Development: financing Chile's Central Valley Railroads," *Business History Review*, vol. LVI, no.1, 1982, pp. 54-75. Para entender el impacto de la crisis de 1873 sobre la banca y otras empresas véase el ensayo de William Slater, "Chile and the World Depression of the 1870's," *Journal of Latin American Studies*, II, no. 1, (mayo de 1979), pp. 67-99.

La obra de F. Fetter, *Monetary Inflation in Chile*, Princeton University Press, 1931, tradicionalmente era considerada una obra seminal de la historia monetaria chilena que propuso una crítica a la experiencia de la banca libre chilena como inherentemente inestable. Sin embargo, en las últimas décadas han surgido trabajos revisionistas que se han enfocado en estudiar más a fondo el episodio de banca libre en Chile en el período de 1860 a 1878. Entre ellos destacan los estudios de los investigadores Ignacio Muñoz Delaunoy, *Una economía monetaria descentralizada: la "banca libre" chilena del siglo XIX*, (tesis de licenciatura, Universidad Católica de Chile, 1998), consultable en línea, así como el trabajo de I. Briones Rojas, *Banque libre : de l'idée à la réalité : le cas du Chili, 1860-1898*, tesis de doctorado en París, defendida en 2004, y la monografía de los profesores P. Jeftanovic y R. Lüders, *La Banca Libre en Chile*, Santiago, la Pontificia Universidad Católica de Chile, 2006.

Sobre la historia bancaria de Cuba véase Inés Roldán, *La banca de emisión en Cuba, 1856-1898*, Madrid, Banco de España, 2004. También es de utilidad Susan J. Fernández,

*Encumbered Cuba: Capital markets and revolt, 1878-1895*, Gainesville, University of Florida Press, 2002. Asimismo véase la gran síntesis de Carlos Tablada y Galia Castelló, *La historia de la banca en Cuba: del siglo XIX al XXI*, La Habana, Editorial de Ciencias Sociales, 2007, vol. 1 “La Colonia”; y el notable volumen de Francisco Comin Comín, Angles Pascual Martínez Soto y Inés Roldán, *Las cajas de ahorro de las provincias de Ultramar, 1840-1898*, Madrid, 2010. De manera complementaria es importante Inés Roldán “El Banco Español de La Habana, 1856-1898: historia de un emisor colonial,” en *Revista de la Historia de la Economía y de la Empresa*, Archivo BBVA, no. 6, 2012, pp.183-219. Sobre Puerto Rico véase Angel Pascual Martínez Soto, “Los orígenes del crédito y las instituciones bancarias en Puerto Rico, 1814-1878 en *Revista de la Historia de la Economía y de la Empresa*, Archivo BBVA, no. 6, 2012, pp.219-256.

Sobre la historia bancaria de Ecuador existe una excelente obra de síntesis de Wilson Miño Grijalva, *Breve historia bancaria del Ecuador*, Quito, Corporación Editorial Nacional, 2008. Para visiones generales que abordan especialmente crédito y banca en el siglo XIX véase Luis Alberto Corbo, *Historia monetaria y cambiaria del Ecuador desde la época colonial*. Quito, Banco Central del Ecuador, 1953; Julio Estrada Ycaza, *Los Bancos del siglo XIX*. Guayaquil, Archivo Histórico de Guayas, 1976; y Linda Alexander Rodríguez, *The Search for Public Policy: Regional Politics and Government Finances in Ecuador, 1830-1940*, Berkeley, University of California Press, 1985.

Para el caso de México, la revisión historiográfica sobre la banca en el siglo XIX más amplia se encuentra en Gustavo del Angel y Carlos Marichal, “Poder y crisis: Historiografía reciente del crédito y la banca en México, siglos XIX y XX”, en *Historia Mexicana*, LII, No. 3, (2003), pp. 677-724. Un volumen con una decena de ensayos sobre la temprana banca en México es Leonor Ludlow y Carlos Marichal eds., *La banca en México, 1820-1920* (México, Instituto Mora,1998). Un panorama importante del crédito en el siglo XIX es Paolo Riguzzi, “Los pobres por pobres, los ricos por ignorancia: el mercado financiero en México, 1860-1925, las razones de una ausencia,” en M.Carmagnani,

A.Hernández Chávez y R. Romano (coords.), *Para una historia de América Latina*. Volumen II, *Los nudos*, Fondo de Cultura Económica/El Colegio de México, 1999, pp. pp.344-373. Los primeros experimentos de creación de banca privada en forma de sociedades anónimas en México se dieron en la época del Imperio de Maximiliano: debe consultarse la historia *Historia del Banco de Londres y México, 1864-1964*, (Mexico, 1964). Para una visión panorámica véase Leonor Ludlow “La primera etapa de formación bancaria, 1864-1897”, en Leonor Ludlow y Jorge Silva, (comps.): *Los negocios y las ganancias: de la colonia al México moderno*, Instituto Mora, México, 1993. Asimismo véase Carlos Marichal y Paolo Riguzzi, "Bancos y banqueros europeos en México, 1864-1933", en Sandra Kuntz Ficker y Horst Pietschmann (eds.), *México y la Economía Atlántica (siglos XVIII-XX)*, México, El Colegio de México, 2006, pp. 207-237.

Son importantes para una visión amplia de la banca mexicana en el siglo XIX los numerosos estudios de Leonor Ludlow, incluyendo su tesis doctoral, “Las dinastías financieras en la Ciudad de México: de la libertad comercial a la reforma liberal”, tesis doctoral, El Colegio de Michoacán, 1995. También véase, dentro de su amplia producción, su ensayo “La disputa financiera por el imperio de Maximiliano y los proyectos de fundación de instituciones de crédito (1863-1867)”, en *Historia Mexicana*, XLVII:4 (188) (abr.-jun. 2001), pp. 765-805; y “Nacimiento y desarrollo del Banco Nacional de México, 1884-1915”, en C. Marichal y P. Tedde, coords., *La formación de los bancos centrales en España y América Latina, siglos XIX y XX*, Banco de España, Madrid, pp.159-178.

Sobre la lenta formación de mercados de capitales en México en el siglo XIX véase Carlos Marichal, “Obstacles to the Development of Capital Markets in Mexico in the Nineteenth Century”, en Stephen Haber, ed., *How Latin America Fell Venid*, Stanford University Press, 1997 pp. 118-145, texto traducido como "Obstáculos para el desarrollo del mercado de capitales en el México del siglo XIX", en Jorge Silva Riquer, Juan Carlos Grosso y Carmen Yuste (comps.), *Circuitos mercantiles y mercados en Latinoamérica, siglos XVIII-XIX*, México, IHH-UNAM, Instituto Mora, 1995, pp. 500-561. Para el último cuarto del siglo véase Noel Maurer, *The Power and the Money: Credible Commitments and the Financial System in Mexico, 1876-1932*, Stanford University Press, 2006, y Mónica

Gómez, “Un sistema bancario con emisión de billetes por empresarios privados: el comportamiento del Banco Nacional de México en el proceso de creación de dinero, 1884-1910,” Tesis de doctorado en historia, El Colegio de México, 2001. Sobre los primeros bancos regionales mexicanos debe consultarse los ochos estudios de caso en el volumen de Mario Cerutti y Carlos Marichal, comps., *La Banca regional en México, 1870-1930*, México, Fondo de Cultura Económica/El Colegio de México, 2003. Para un estudio sobre el crédito no bancario en esta época véase Juliette Levy *The Making of a Market: Credit, Henequen and Notaries in Yucatán, 1850-1900*, Pennsylvania State University Press, 2012; y de la misma autora "Handmaidens of finance: notaries and credit markets in a market without banks: Notaries and Credit Markets in Nineteenth-Century Mexico," *Business History Review*, volume 84, issue 3, otoño de 2010, pp.459-478.

Para un estudio de la historia fiscal y financiera del Perú en su contexto más amplio véase Carlos Contreras, ed., *Historia económica de Perú*, Banco Central de Reserva del Perú, 2010, que puede consultarse en línea. Igualmente importante es el libro de Contreras *La economía pública en el Perú después del guano y del salitre*, Lima, Banco Central de Reserva de Perú/IEP, 2012, el cual incluye un análisis penetrante e información casi exhaustiva sobre la fiscalidad del Perú en el siglo XIX. El libro clásico de referencia sobre los primeros bancos peruanos es de Carlos Camprubi Alcazar, *Historia de los bancos en el Perú, 1860-1879*, Lima, s.p.i, 1957 que contiene una gran cantidad de información extraída principalmente de la prensa contemporánea, de las actas legislativas, folletos y libros de época.

Sin duda los trabajos más completos que ya son sobre la historia bancaria del Perú son los de Alfonso W. Quiroz, *Banqueros en conflicto: Estructura financiera y economía peruana, 1884-1930*, Lima, Centro de Investigación de la Universidad del Pacífico, 1989; y del mismo autor, *Domestic and Foreign Finance in Peru, 1850-1950: Financing Visions of Development*, Pittsburg University Press, 1993. Para una bibliografía muy amplia sobre las finanzas peruanas en el siglo XIX véanse las treinta páginas de referencias al final de otro gran libro de Quiroz, *Corrupt Circles: A History of Unbound Graft in Peru*, Baltimore, Johns Hopkins University Press, 2008. Para un estudio basada en fuentes francesas y

peruanas sobre la relación entre banca y deuda en la época del guano, véase el estudio clásico de Heraclio Bonilla, *Guano y burguesía en el Perú*, Lima, IEP, 1974, entre las numerosas obras pertinentes de este historiador prolífico. Para el pensamiento económico de la época, es de gran utilidad para entender los proyectos financieros véase Paul Gootenberg, *Imagining Development: Economic Ideas in Peru's fictitious "Prosperity" of Guano, 1840-1880*, Berkeley, University California Press, 1993.

Sobre las finanzas del Uruguay en el siglo XIX es indispensable repasar las obras clásicas del político e intelectual de la época, Eduardo Acevedo, entre ellas, *Notas y apuntes: Contribución al estudio de la historia económica y financiera de la República Oriental del Uruguay*, Montevideo, El Siglo Ilustrado, 1903, 2 vols. Sobre la historia del Banco Mauá en Uruguay es de gran utilidad la correspondencia de Andrés Lamas con Mauá publicada por Lidia Besouchet, *Mauá y su época*, Buenos Aires, 1940, con traducción y edición en Sao Paulo en 1942. Información sobre los sistemas crediticios en los primeros ocho decenios del siglo XIX se encuentra en la obra clásica de Benjamín Nahum y Pedro Barran, *Historia rural del Uruguay*, Montevideo, Ediciones de la Banda Oriental, 1970-1972, vol. 1 y 2. Pero sobre todo es necesario consultar las monografías extremadamente detalladas (de más de mil páginas) sobre los orígenes de la banca en el Uruguay a mediados del siglo XIX de Juan E. Pivel Devoto, "Contribución a la historia económica y financiera del Uruguay. Los Bancos, 1824-1868" en *Revista Histórica*, XLVIII, vol. 48, no. 142, (Montevideo, 1976), pp.1-428; y "Contribución a la historia económica y financiera del Uruguay. Los Bancos, 1868-1876" en *Revista Histórica*, LXXII, vol.51, no. 151, (Montevideo, 1979), pp.1-1047.

La revisión historiográfica de la banca uruguaya más amplia es la de Raúl Jacob "La historia de los bancos en Uruguay: balance y perspectivas", en *América Latina en la Historia Económica*, México, Instituto Mora, no. 3, pp.15-28 (1995) disponible en línea en <http://alhe.mora.edu.mx/index3.html>. En dicho trabajo Jacob señala que existen dos caminos principales para profundizar en la historia bancaria, la primera siendo la elegida por Devoto que utiliza memorias oficiales, debates parlamentarios, folletos y prensa para reconstruir el marco institucional de la banca en el tiempo. En cambio, para una historia macroeconómica detallada de tipo cuantitativa y cualitativa se requiere acceso a un gran archivo de un banco en

el largo plazo. Una buena opción sería contar con acceso a los papeles históricos del Banco Comercial, con sede en Montevideo desde 1858 hasta nuestros días, pero los directivos aún no facilitan a los historiadores la consulta de ese gran patrimonio histórico y cultural. Otra fuente fundamental para los investigadores que aún no se explota consiste en los abundantes archivos del efímero pero poderoso Banco Nacional (1887-1891), cuyos documentos se guardan en el Archivo Nacional en Montevideo.