

Finance, Intermediaries, and Economic Development. *Edited by Stanley L. Engerman, Philip T. Hoffman, Jean-Laurent Rosenthal, and Kenneth L. Sokoloff.* Cambridge, U.K.: Cambridge University Press, 2003. vii + 350 pp. Tables, figures, appendix, notes, index. Cloth, \$70.00. ISBN 0-521-82054-5.

Reviewed by Hans-Joachim Voth

Academic thank-you notes come in all sizes, from the gracious footnote to the fulsome acknowledgement, the generous e-mail to the verbose laudation. The festschrift is arguably the most solid form of gratitude. Despite the efforts of chief financial officers at many university presses, celebratory volumes for outstanding scholars occasionally sneak into the catalogs. In the last few years, Charles Feinstein and Paul A. David have been honored with magnificent collections of scholarly work that stand as eloquent tributes to their role in the field of economic history. This volume is a festschrift for Lance Davis, one of the pioneers of the New Economic History. Since receiving his doctorate from Johns Hopkins in 1956, Davis has published on a range of topics that seems almost impossibly wide—from the history of whaling to the British Empire, from New England textile mills to stock exchanges. Yet many have become classics in the field, and others are influential far beyond the confines of economic history proper.

This volume focuses on the field in which Davis's work has had the largest impact—the history of financial development and its impact on economic growth. The editors have assembled a set of ten papers by colleagues, coauthors, students, and friends. Some of them present fresh work for this volume; others showcase scholarly achievements that have been elaborated in more detail elsewhere. Jointly, they recapture some of the intellectual excitement that the nascent field of New Economic History must have engendered in the early meetings at Purdue that are now part of the field's founding myth.

Eugene White examines the details of the Paris Bourse's microstructure—an appetizer to the larger study that he, Lance Davis, and Larry Neal are preparing. This collaborative project will give us new insight into the institutional evolution of stock exchanges in London, Berlin, and Paris. In France, the government's desire to ensure

orderly, liquid markets (mainly in its own debt) was often at cross-purposes with the need to raise revenue. Brokers could buy licenses, only to see the value of their investment changed ex post as the next fiscal crises led the state to tear up the old contracts or to negotiate in bad faith. For anyone doubting the importance of the Glorious Revolution in England and the key role of constraints on the executive, White's minute account of the shock waves created by governmental high-handedness makes excellent reading. The history of the Paris Bourse during the eighteenth century is also a tale of remarkable resilience—despite the political turmoil and the dire condition of government finances, trading was remarkably efficient, with good liquidity and tight spreads.

Larry Neal and Stephen Quinn document another case where private markets managed to fill a gap left by inadequate government regulation. London's rise to international prominence as a financial center was made more difficult by the absence of a public bank that handled payments for other intermediaries. Venice, Hamburg, and Amsterdam had institutions like this, which reduced counterparty risk and facilitated payments. The Bank of England failed to act as the central clearinghouse for bills until the nineteenth century, instead serving as the “finance corporation” of the English Crown. Neal and Quinn show how informal networks, organized by early goldsmith bankers like Edward Backwell, overcame these difficulties.

Expanding on research carried out for their book *Priceless Markets*, Philip Hoffman, Gilles Postel-Vinay, and Jean-Laurent Rosenthal examine why notaries in France failed at deposit banking. The notaries acted as matchmakers for creditors and lenders in the eighteenth century, and many took the logical next step—to take deposits themselves and make loans on their own account. Yet failure rates were high, an outcome that was determined by the Revolution's impact on the distribution of assets and liabilities in the economy. Early banks failed with similar, if not higher, frequency. Ultimately, the French state put an end to the deposit-taking by notaries, since the disruption to their other duties (such as their fiduciary responsibilities) was simply too large.

Continuing a theme explored by Lance Davis in a path-breaking article in the early 1960s, John Legler and Richard Sylla examine the integration of Southern capital markets after the Civil War. Using newly compiled indices of stock prices in New

Orleans, they show that, compared to New York, returns were higher—and volatility was lower. This suggests that Southern capital markets were not well integrated with the rest of the country. International capital markets may have been highly integrated, but, apparently, important pockets of divergence, even within highly developed countries, continued to exist. Legler and Sylla's study also points out how much unexploited stock-market data remains.

Naomi Lamoreaux and Ken Sokoloff analyze the role of intermediaries in the market for U.S. patents. Patent attorneys often acted as brokers for the patents they handled, thus helping to negotiate the sale of the rights for commercial exploitation at a relatively early stage. Overall efficiency seems to have benefited considerably—inventors using specialized patent attorneys were more productive, filing more (and more useful) patents over the course of their careers. Thus, access to a market for ideas allowed them to specialize in what they did best—inventing.

Reviewers rarely concern themselves with the physical appearance of a book. In this case, however, the publisher's sloppiness is simply breathtaking. One would think that in a slim volume costing seventy dollars, one could at least expect the full text of all contributions. Not so. More than one article misses every second page—Cambridge University Press kindly inserted blank pages instead of text. Eugene White's and Hoffman et al.'s fine contributions are rendered virtually unintelligible in this reviewer's copy. Nonetheless every university library should own a copy of *Finance, Intermediaries, and Economic Development*.

*Hans-Joachim Voth is chair of economics and economic history at Universitat Pompeu Fabra, Barcelona. He is the author of Time and Work in England, 1750–1830 (2001), and is currently researching the South Sea bubble.*