# Introduction

A popular trend in a large number of recent works on comparative economic and institutional history has been to raise the question of why some nations succeed and others fail in the race to attain modernization. The answers proffered are as numerous as the authors engaged in such debates. Slow growth trends in many societies of Asia, Africa and Latin America are often attributed to a negative heritage of colonial institutions, low educational standards, political instability and/or the legacy of authoritarian regimes. In practically all of such interpretations, however, there is a tendency to focus rather heavily on economic failure or, to use more traditional terms, on underdevelopment or backwardness during the nineteenth and twentieth centuries. The basic dichotomy is that established between winners and losers, as if the complex processes of economic, social and political development were some kind of game in which the players who adopt the best practice almost inevitably triumph.[1]

In this book a different approach is brought to the fore, which jibes with the increasingly popular notion of "varieties of capitalism."[2] While recognizing the inability of Latin American societies and economies to modernize as rapidly as those of the United States or much of Western Europe during the nineteenth century, emphasis here is placed on the capacity to catch up gradually, even while moving at much lesser speeds. We maintain that the economic and financial history of the nations of this vast region should not be viewed simply as a story of failure, but rather as

[1] For example, see Landes (1998) and Acemoglu and Robinson (2012).
[2] Bizberg (2019), and Prevezer (2017) for overviews. And for a stimulating historical perspective on Holland, see Prak and Zanden (2022).



Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

an expression of a prolonged and sometimes unstable process of *slow capitalism* that was followed in numerous cases by rapid growth at the end of the nineteenth century. In other words, the expansion of market economies in Latin America often followed uneven trajectories as a result of significant economic, political and institutional difficulties that generated nonlinear progress, with notable advances at times, but also reversals after major crises of considerable duration.

Whether we focus on what may be termed alternatively as fast or slow capitalism, there is an increasing consensus that finance has been a key factor in the acceleration of modern, economic growth in most countries, including the extension of credit, the creation of banks and the broadening of capital markets. But the direct impact on growth remains quite controversial from a theoretical point of view. The noted scholar of comparative development Raymond Goldsmith sustained that finance led other sectors such as industry, agriculture, transport and trade by providing the funds required on a short term for commercial operations as well as investment for longer phases of transformation.[3] Such hypotheses have also been driven by the theoretical approaches of economists who maintain that the modernization of banking and finance has supported high economic growth rates.[4]

Conversely, it may be postulated that in numerous countries where the birth and expansion of modern banks and credit markets faced significant economic and political obstacles, slow growth rates were likely.[5] Yet the fact is that we still do not know enough about the comparative financial history of the nations of the so-called Global South to reach firm conclusions. William Summerhill has argued in his studies on the financial history of Brazil: "Considering the relationship between politics and finance *solely* in the light of the experience of advanced economies can do as much to obscure as to illuminate the factors that explain the expansion of capital markets and the political economy of growth."[6] In short, a broader perspective on these issues requires a comparative perspective that can allow for a deeper understanding of an essential component of modernization, namely the history of the emergence of banks and financial markets in developing economies through diverse case studies.

[3] Goldsmith (1969).
[4] See, for example, King and Levine (1993); Shaw (1973); McKinnon (1973); Levine (1997). For a more historical perspective, see Gerschenkron (1968); Cameron (1972).
[5] A thesis implicit in Goldsmith (1969).
[6] Summerhill (2015), 17.

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

This book focuses attention on the antecedents, birth and *relatively* late development of modern banking in Latin America.[7] The novelty of the chapters that follow is to offer a panoramic overview of the trajectories of banks and credit markets across a significant number of nations in this extensive region over a long time period. The approach is chronological, but each chapter focuses on a distinct theme that can allow the reader to focus on key problems that refer to the process of creation and expansion of banks in order to grasp the successes as well as the failures of different financial regimes and enterprises during successive phases of what we describe as the *long* nineteenth century, from the end of the colonial regimes down to 1914. The objective is to provide a synthetic history of changing institutional frameworks of finance and of key banking enterprises, pieced together from a wide-ranging set of studies on different countries in Latin America. Our story thus aims to help broaden some features of comparative financial history by moving from the central core of capitalism to explore one important geographic zone of the periphery where recent studies are opening windows on new issues that merit further analysis and debate.

The first questions raised in the present book focus on the origins of financial systems and therefore direct attention to the legacy of the credit systems that developed during the colonial era, emphasizing their complexity. The parallels between important features of finance in the economies of *ancien régime* Europe and those in the Spanish and Portuguese colonies in the Americas are striking and merit further study to understand the workings of credit in precapitalist systems. In this regard, we follow classic propositions of historians and social scientists that describe the emergence of modern capitalism as the transition from older economic systems that were based on a mix of servile and free labor operating in segmented markets, to new regimes characterized by relatively *free* market economies that operated with wage-based labor and were accompanied by a systematic accumulation of wealth on the part of the owners of property, machinery and capital.[8] In brief, the economies of Spanish and Portuguese America from the sixteenth to the late eighteenth century were characterized by many precapitalist elements but also by some features of

[7] The outstanding study by Triner (2000) on the history of Brazilian banking demonstrates that while banks arose in the nineteenth century, modernization of the banking *system* actually consolidated only in the early twentieth century. This insight is also applicable to the larger nations of Latin America.

[8] Neal and Williamson (2014a).

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

mercantile capitalism as well as the advance of wage relations in silver and gold mining and some other sectors, although clearly there was no industrial capitalism.[9]

The second chapter explores the economic impacts of the wars of independence in Latin America and their sequels that restricted financial modernization. Public administrations in the independent nations were fragile due to a variety of factors including centrifugal political forces and weak fiscal systems that suffered chronic deficits. As a result, during the early nineteenth century, most of the new states experienced political and military trajectories that were accompanied by monetary instability and fiscal crises, as well as financial insolvency in many cases. Reciprocally, financial fragility exerted a negative influence on economic performance in different ways during quite some time in the region and condemned the earliest experiments in banking to short lives.

On the other hand, from the middle of the nineteenth century, a process of economic growth and diversification in a number of Latin American nations spurred the emergence of commercial banking, as described in the third chapter of this book. The birth of almost a hundred commercial banks both large and small, in leading ports and cities of seven countries during the years 1850–1873, suggests that capitalism was gaining traction, albeit in its early stages. Testimony to the process of economic modernization was the multiplication not only of commercial banks but also of mortgage banks, private financial houses, insurance companies and burgeoning stock markets. Furthermore, this early financial capitalism was accompanied by political reforms that contributed to improvements in public administrations, in particular the management of state fiscal and debt systems.

In dealing with the reciprocal relationships between legal reforms and finance in a number of states during the second half of the nineteenth century, the fourth chapter explores the organizational models and the *institutional* frameworks of early banking systems in Latin America. Unquestionably, European and North American examples were fundamental exemplars, but it is also important to point to unique adaptations that took place in financial development within different nations in Latin America. The fifth chapter of this book explores the first banking panics that took place in the region and tell us much about the fragile trajectories

[9] For a European counterpoint and a broad-ranging discussion of the transition from mercantile to industrial capitalism between the sixteenth and nineteenth centuries, see Braudel (1982–1984), Vol. 2, 232–455.

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

of nascent capitalism, particularly during the 1870s. After the end of those crises, however, banking recovered quite rapidly. This trend makes it obligatory to focus on the question of why many large *national* banks with networks of branches gained strength throughout the hemisphere during the 1880s as analyzed in the sixth chapter, a process closely linked to the political and economic history of the period. Finally, the book concludes in the seventh chapter with a description and analysis of the entry and role of *foreign banks* in Latin America between 1860 and 1914, linking the history of these enterprises to the ascendancy of economic globalization in that period.

In summary, the pages that follow argue that the emergence of banks and banking systems came later in Latin America than in most advanced economies, but played a significant part in economic and, indeed, political developments in the short and long term. Inevitably these issues beg the question of how we define the trajectories and expansion of capitalism *on the periphery*, highly polemical issues that have attracted increasing interest, especially to better explain the historical antecedents of the contemporary global economy.

## CHRONOLOGIES OF EARLY BANKING DEVELOPMENT

To describe and analyze the birth and expansion of banks in Latin America in comparative terms there is a need for a flexible approach to the study of the financial history of nations that did not follow a single growth model. A useful analytical and historical analogy can be found in the comparative studies on successive industrial revolutions, where economic historians have promoted the idea of *firstcomers*, *secondcomers*, and *thirdcomers*. In this book we ask if it is not reasonable to consider that something like such a scheme could be applied to banking history, with some variations. For example, it is well established that a select number of nations, including England, Holland and the United States, were *firstcomers* in an early round of banking and capital market transformations that took place between the seventeenth and early nineteenth centuries. The latter have been described as "financial revolutions" by leading economic historians.[10] These enormously important innovations

[10] Hart, Jonker and Zanden (1997) have proposed that the financial revolution first took place in the Netherlands in the seventeenth century, followed later by Great Britain. For eighteenth-century Europe, see Atack and Neal (2009); and on the United States between 1790 and 1812, see Rousseau and Sylla (2005).

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

were followed by a second wave of expansion from the middle decades of the nineteenth century, when banking systems deepened and broadened in Austria, Belgium, France, Germany and some other nations.[11] Soon enough, in the southern periphery of Europe, similar developments began to take place, as can be confirmed in the case of Spain, where there emerged some thirty regional banks after midcentury, while in Italy some fifty medium-sized commercial banks and at least 200 small savings banks sprung up between 1848 and the financial crisis of 1873.[12] On the other hand, in other nations, such as Russia, Japan, Sweden or Denmark, it was only during the last third of the nineteenth century that there took place a major upsurge of commercial banking and of increasingly sophisticated financial markets.

Such a chronology of the takeoff of modern banking systems indicates that it is possible to consider the Latin American experience as a part of the *second wave* of the banking revolution in the world, followed by a stronger *third wave* at the end of the nineteenth century and the early twentieth century. Nonetheless, it would be questionable to argue that there was a *systematic* banking evolution similar to that outlined in Richard Grossman's magisterial history of the rise of banking in industrialized nations.[13] On the contrary, in Latin America the interplay of erratic economic cycles with political crises and numerous regime changes generated a rather haphazard process of legal reforms as well as of varying entrepreneurial strategies at local levels. In sum, debates on how to define capitalism and its financial evolution in different countries are multifarious and polemical, stimulating a diverse theoretical and historical literature that emphasizes the varying nature of trajectories and chronologies when proposing comparative studies.[14]

While some of the specific issues raised in each chapter of this book have already been addressed by select scholars who specialize in the financial history of Latin America, others remain unresolved and we provide some guidelines for future analysis and study. In the last two or three decades, research has come to the fore that provides important hypotheses as well as new information on the early history of banking and finance in different nations of the subcontinent. In this respect, the present text provides readers with a preliminary *state of the art* of studies

[11] Feiertag and Margairaz (2003).
[12] Tortella (1975); Polsi (1993).
[13] Grossman (2010).
[14] Hall and Soskice (2001); Hancké (2009); Beckert and Desan (2019); Bizberg (2019).

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

published on the development of credit systems and the gradual emergence of banking in this vast region from the late colonial period through to the first decade of the twentieth century. However, from the start, it should be emphasized that the focus is fundamentally on the financial trajectories and innovations that took place in Argentina, Brazil, Chile, Cuba, Mexico, Peru and Uruguay since it was there that commercial joint-stock banks first emerged, albeit of diverse shapes and sizes.

A comparative approach also makes it necessary to comment on various extraregional experiences that are relevant to situate the main issues and questions discussed in the text. To do so, each chapter is placed in the context of key problems and debates raised by what is already an abundant international historiography on banking and finance. More fundamentally the object of this book is to present what may be described as an historical and analytical map of the main changes that took place in Latin American banking, its institutions and leading enterprises during the time period studied. But before summarizing the specific subjects that are the focus of the different chapters that follow, it may be useful to underline several overarching issues that can help to place the present study in the context of the comparative economic and financial history of Latin America. These issues can also illuminate the contrasts between what may be termed as *fast* or, alternatively, *slow* capitalism.

## MAJOR DEBATES: SLOW OR LATE CAPITALISM IN LATIN AMERICA IN THE NINETEENTH CENTURY?

Controversies about the relatively disappointing performance of the economies of the new nations of Latin America after independence have intensified rather than dissipated in recent historical research. The low growth rates of most countries of the region during the first half of the nineteenth century have frequently been considered a legacy of the colonial heritage as well as the result of the multiple wars during the post-independence period. Some economic historians have described this era in terms of a *long depression* due, in good measure, to the low diversification and volume of exports.[15] Such circumstances certainly delayed financial modernization. Other researchers have proposed an institutional model that emphasizes the negative weight of the colonial heritage in nineteenth-century economic performance.[16] Nonetheless, in this book we question

[15] See Bulmer-Thomas (2003); Cárdenas (2003); Coatsworth (1978).
[16] Acemoglu, Johnson and Robinson (2001).

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

the latter interpretation on the basis of the review of the recent and rich historical literature on colonial finance and credit systems that should warn against superficial generalizations that avoid nuance. Simplistic generalizations do injustice to the complexity of interlocking political and economic circumstance in practically all the Latin American nations following independence.

A different set of complementary problems has been captured in a penetrating way by Luis Bertola and José Antonio Ocampo in their excellent synthesis on the economic development of Latin America over the long run.[17] They have elaborated a preliminary set of international comparisons to determine how fast or slow was the growth of regional economies, a problem that has attracted the attention of a new school of *global* historians. Their conclusion is that "the aggregate result (for Latin America as a whole between 1820 and 1870) appears to be poor: GDP (gross domestic product) per capita grew at a rate of 0.2% per annum."[18] This contrasts dramatically with much higher growth rates in the United States or Central/Northern Europe during the nineteenth century, and suggests a limited degree of economic development.

On the other hand, a provocative and quite different interpretation comes from the pen of the Spanish economic historian Leandro Prados de la Escosura, who has argued that the fastest-growing countries in Latin America during the period 1820–1870 may have achieved an annual growth of 0.4 percent of GDP per capita, a rate of growth relatively similar to the Mediterranean countries of that era, in particular Spain, Portugal and Italy. These countries experienced much slower growth than the industrializing nations of the North Atlantic, which enjoyed average per-capita GDP growth rates of about 2 percent per year in the United States and approximately 1.4 percent per year in the six fastest-growing countries in Western Europe.[19] In sum, before 1880, there was a marked contrast between the fast capitalism of the United States and Central/Northern Europe and the slow capitalism of Mediterranean Europe, as well as of Latin America. Later, however, during the period 1880–1914, the convergence of all these economies gained strength in a period sometimes described as a golden age of globalization.

[17] See Bértola and Ocampo (2013), 47–66 and 88–102, in which they underline the importance of including the study of the institutional framework, the environment and natural resources, as well as the evolution of the population and the calculations of inequality in the various Latin American societies.
[18] Bértola and Ocampo (2013), 83.
[19] Prados (2009).

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

Apart from efforts to measure the trajectories of economies in the long run on the basis of estimates of income per capita, there are, of course, other possible indicators that can be used for comparative analysis of relative degrees of development. For example, levels of trade – in particular exports – have been frequently considered to be key factors in the Latin American economies of the nineteenth century. One much-cited theory sustains that the new nations failed to promote a greater variety of export goods between 1820 and 1850, and that therefore their growth was negatively affected by the limits of the *commodity lottery*.[20] Nevertheless, recent studies have underlined the acceleration of exports from Brazil, Cuba, Argentina, Peru and Colombia after the middle decades of the century.[21] This was followed by the rapid expansion and diversification of trade in the last quarter of the century, the rapid expansion of agriculture and mining, as well as substantial development of services, sustained by a railway transport revolution and by growing urbanization.[22]

Identifying with precision the factors that bespeak the slow pace of capitalism in the different nations of this vast region is therefore a great challenge. Deficient historical statistics make it difficult to measure economic trajectories during the early nineteenth century. These include the slow integration of regional markets, the persistence of old transport methods before 1870 – mules and carts – without significant improvement in roads, the limited development of railroads at that time and practically no investment in canals. Similarly, it is important to keep in mind the predominance of artisanal workshops in manufacturing sectors, very limited textile factory production, except in the case of Mexico, and extremely poor educational levels, reflected in human capital with low levels of technical capacities. All of these factors have been studied to some extent in a variety of historical studies, but hard data on a national level is hard to come by.[23]

Of most interest for this book is analysis of the financial factors that influenced slow postcolonial economic growth. This begs the question of the difficulties confronted by new states in forging institutions that could favor stable monetary regimes and fiscal systems as well as the recovery of

[20] Bulmer-Thomas (2003).
[21] Ocampo (1984); Tena-Junguito and Absell (2016); Contreras (2011); Bértola and Ocampo (2013).
[22] Kuntz (2015, 2017). Also Bulmer-Thomas, Coatsworth and Cortés Conde (2006b).
[23] Bértola and Ocampo (2013) touch on these issues.

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

credit and capital markets.[24] The short lives of early banking experiments in Latin America between 1820 and 1840, described in Chapter 2 of this book, reveal the large number of obstacles to economic and financial modernization after independence. But important changes did come *after* midcentury, particularly in certain dynamic ports, cities and regions of Latin America, as numerous reforms spurred the initial transformation of stock markets in some cities, the emergence of joint-stock enterprises, including banks, several early railroad companies and telegraph networks, some insurance firms, steamship companies and the gradual modernization of ports and urban infrastructure. The creation of commercial and mortgage banks symbolized entry into modern finance and contributed to improvements in the management of public as well as private finance. The majority of local banking enterprises were promoted with domestic capital, indicating the capacity of regional elites to raise funds either through informal networks or by means of burgeoning stock exchanges that were small but dynamic in several cases.

In sum, during the second half of the nineteenth century, financial enterprises in Latin America multiplied and diversified, leading eventually to the inception of banking systems. These innovations bespeak the *genesis* of capitalism in the region, although this is clearly a subject for much debate. In any case, economic factors cannot be considered the only elements that need to be studied in order to understand the rise of banks and growing complexity of financial markets since political and institutional reforms were also essential elements that molded the economies and societies of all Latin American nations.

## DEBATES ON INSTITUTIONS AND POLITICS IN LATIN AMERICAN BANKING HISTORY

The importance of political and legal reforms in Latin America suggests that it is necessary to move beyond estimates of trends in gross domestic product in order to evaluate the progress of economic and financial development during the nineteenth century. An institutional approach is also required to clarify many questions that relate to the interplay between banking history, norms and economic behavior, as well as to connections with legal and political history, especially at key junctures. To begin with, this book argues that it is important to keep in mind the legacy of three centuries of the practice of credit in colonial Spanish America and Brazil

[24] For an overview, see Marichal (2006a).

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

and their *juridical frameworks*, but that it is also essential to explore how these traditions were affected by the wars of independence. Some features of the old credit regimes were eradicated after the 1820s, while others persisted, despite radical political change. The result of these often-contradictory relationships was reflected in faltering economic institutions and difficulties for the launching of modern capitalist enterprises.

The different chapters of this book review a number of the key advances in the ratification of laws, norms and regulations on credit, banking, finance and monetary standards that were debated and ratified by the political authorities, parliamentary bodies and judicial elites of diverse nations during the long nineteenth century. Yet, again, it should be emphasized that progress in this field was slow and haphazard. The military, fiscal and financial crises that undermined most states of Latin America from independence in the 1820s until the 1850s also impaired legal reforms. They also represented important obstacles for the sustained operation of new enterprises prior to the onset of improved economic circumstances after midcentury. In contrast, institutional analysis suggests that the approval of a set of new, liberal reforms in the 1850s led to increased willingness to sacrifice the rent-capture capacities by local political strongmen (*caudillos*) that had characterized the first decades following independence, and this was certainly key to subsequent financial modernization.

There were no perfect models for the launching of banks, but certain institutional guidelines were gradually incorporated into commercial legislation from midcentury, contributing to the launching of new enterprises in numerous Latin American countries. To begin with, authorization for the creation of joint-stock organizations was crucial to the establishment of banks as collective enterprises that could carry on business freely and with sufficient legal guarantees to protect them in unstable times and avoid excess government interference. Also essential to the new bank charters were measures that allowed for free incorporation as well as complementary norms in civil and commercial codes regarding limited versus unlimited liability. At the same time, improvement of bankruptcy codes and procedures became essential to protect the owners as well as their private-sector clients. Such legal regulations helped stimulate the emergence of new economic institutions like commercial banks, although many followed patterns of the business carried on by closed clubs of wealthy merchant financiers that were characteristic of so many Latin American states in the first half of the nineteenth century. At the same time, many nascent commercial banks also found themselves subject to

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

differing degrees of government pressure as well as to the impacts of the cyclical and crisis-prone nature of early capitalist development.

The analysis of many of these issues can benefit from the analytical interpretations developed by the schools of "new institutionalism" and of "law and finance" that have opened up promising avenues for research and debate on financial history. For example, the *institutional* school of economic analysis suggests the need to focus on the influence of the respective governments and legislatures with regards to the formulation of banking initiatives and financial policy, especially in the case of those banks that received privileges of money issue or were rewarded with management of key aspects of public finance.[25] This interpretation has been developed by Charles Calomiris and Stephen Haber in their innovative and controversial book *Fragile by Design: The Political Origins of Banking Crises and Scarce Credit*.[26] In this work, the authors review the rise of banking systems in the United States, Canada, Great Britain, Brazil and Mexico, paying special attention to the concession of bank charters by political authorities. Calomiris and Haber argue that the original bank charters allowed firms to operate under certain legal conditions but were almost always established on the basis of negotiations between power groups (economic elites) and governments (political elites), which the authors define in terms of what they call *the game of bank bargains*. According to this model of analysis, the results of the original negotiations had a determining influence on the institutional and operational framework of the early banks and banking systems as a whole over long periods of time.

The interpretations of Calomiris and Haber emphasize "path dependency," an approach that is certainly relevant for the Latin American case in the nineteenth century, since governments in the region exercised much influence on interlocking political and financial negotiations. But, it is also worth underlining that the bank charters in different Latin American nations demonstrated great variety, depending upon the specific arrangements that led to the creation of a given financial enterprise. Furthermore, bank concessions were not frozen in time. The volatility of politics and finance meant that both governments and banks were obliged to modify banking statutes as well as the financial modus operandi

[25] Studies by Dickson (1967) and later North and Weingast (1989) were catalysts to the analysis of the modernization of monetary, banking and public credit systems in England from the 1690s onwards.

[26] Calomiris and Haber (2014).

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

of bank companies in different circumstances. In this sense, it seems reasonable to question the validity of an approach that gives too much weight to the idea of path dependency, since in nineteenth-century Latin America political change and institutional discontinuities were frequent.

Improved state capacities were key to the liberal reforms at midcentury, sustained in good measure by economic growth and increased fiscal income. The ascent of liberal political parties after midcentury – despite much conservative opposition – led to institutional reforms promoted by elites who aimed to overcome the highly unstable dynamics that had characterized the structures and operation of politics and markets in the decades immediately following the wars of independence. Judicial reforms were also essential, insofar as they promised less arbitrary treatment for innovative economic actors. Such measures were also essential to tasks such as the design of statutes for incipient joint-stock firms, including the first commercial and mortgage banks, insurance companies and early railways, all of which needed to attract domestic and/or foreign capital in order to begin operations. Nonetheless, all these changes came gradually, in a process that can only be described as *halting progress*, since internal and external wars, civil conflicts and economic crises remained rife and only allowed for a process of slow capitalism.

A complementary problem raised by the law-and-finance approach is the need to ascertain if new banking enterprises were established initially on a rather ad-hoc basis, or whether legal innovations and norms stimulated changes in the functioning of economic and business organization. In short: did financial laws precede the banks? Or, alternatively, did the creation of banks from midcentury stimulate the formulation of laws and regulations dealing with credit? This subject is taken up in Chapter 4 of this book, which reviews the debates on financial and monetary reforms in the press and in legislatures throughout Latin America. It is clear that while legal reforms could not always guarantee economic and financial success, they should not necessarily be deemed as responsible for failures. An incisive example is the study of capital markets in Brazil at the end of the nineteenth century by the financial historian Aldo Mussachio, who argues *against* excessively deterministic schemes of the literature on law and finance, especially those that sustain the supposed superiority of societies with an Anglo-Saxon common law tradition.[27] In short, it is wrong to argue that nations with a civil law tradition, such as France and Spain, as

[27] Musacchio and Turner (2013).

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

well as all states in Latin America, were destined to hinder institutional innovations in business or impede the development of their financial systems. The historical evidence has not borne this out, but the discussion remains open and requires further historical exploration and discussion.

Consideration of legal reforms inevitably directs attention to the importance of the political history of specific Latin American countries, especially the debates and struggles dealing with financial, monetary and banking proposals. In this sense, we agree with historian Jeremy Adelman when he argues for the need to establish a dialogue between the narratives on the formation of states in Latin America and the formation of markets and economies.[28] The same author also points out that an excessively deterministic vision (path dependency) should be avoided in studies on institutional changes that may be considered responsible for success or failure in the management of public and private finances. He argues that "institutions are not fixed or stable, but are constantly articulated through the projection and praxis of multiple actors in society."[29]

In line with these currents of interdisciplinary interpretation, the relation between banks and politics is therefore an important subtext that runs throughout this book since it is a fact that in any period of modern history, finance establishes the potentialities but also the limits of political action. In times of prosperity, the margins of such action expand, while in times of crisis or recession they are dramatically restrained. Latin American history is particularly illustrative of this dilemma, especially in periods of synchronic political and financial crises, something that has been confirmed time and again throughout the nineteenth and twentieth centuries. From this perspective, it becomes evident that the study of banking, monetary and debt policies should be more fully incorporated into Latin American political as well as economic history in order to better comprehend reciprocal relationships, in both the short and long term. This is why this book calls for a greater dialogue between specialists in political history and financial history.

## RECENT PROGRESS OF BANKING AND FINANCIAL HISTORY STUDIES IN LATIN AMERICA

A final question that needs reflection – before proceeding to summarize the main hypotheses in the chapters of this book – consists in asking why financial history and the study of the trajectories of banking were ignored

[28] See Adelman (1999).
[29] Adelman (1999), 11–15.

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

for such a long time in most Latin American studies, as well as in much of the literature on economic development.[30] In the last three decades, a series of excellent syntheses of the economic history of this extensive region have focused on reconstructing trends of external and internal trade, as well as of mining, agricultural and industrial production, but most of these publications have paid little attention to the role of credit, banking and finance in regional economic trajectories.[31] This imbalance is surprising and deserves to be questioned. It suggests that there is an opportunity for new studies on this subject but, in addition, evokes the possibility of rethinking crucial aspects of the history of early capitalism in relation to the classic debates on development versus underdevelopment in Latin America.

There is, in fact, no longer any reason to ignore the significant progress in the banking and financial history of Latin America carried out by several dozen historians and economists over the last thirty years.[32] These studies offer the possibility of dramatically rethinking critical themes of economic growth from new and original perspectives. Such research has contributed to the reconstruction of a large number of statistical series from diverse sources, including annual reports published by the oldest banks, some of them dating back to more than a century. In turn, business historians have provided an increasing amount of qualitative information on the history of the links between early banks and the first joint-stock companies – railways, tramways, insurance firms, gas companies, telegraph and steamship enterprises – that began operating in different zones of the extensive Latin American geography. In many ways, all of these enterprises can be considered to have been important crucibles of capitalism in the region.

Given the considerable number of national cases included in our historical survey, we have selected those countries that are the most relevant, both because they were examples of substantial advances in the emergence of banking and financial systems in the nineteenth century and also because they have stimulated the greatest number of published studies. This inevitably leads to some bias, since we pay special attention to the literature on Argentina, Brazil, Chile, Colombia, Cuba, Mexico and Peru,

[30] Triner (1999).

[31] This trend is seen, for example, in Cárdenas, Ocampo and Thorp (2000); Bulmer-Thomas (2003); Bértola and Ocampo (2013).

[32] More than thirty different essays can be found in Marichal and Gambi (2017); Díaz, Hoyo, and Marichal (2017); Marichal (2012).

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

while offering a lesser number of references to other nations of this vast region that are just beginning to benefit from studies in financial history. In this regard, it should be borne in mind that dealing with the banking history of the very diverse experiences within the extensive Latin American subcontinent is a complicated challenge. For this reason, the historical method adopted here is based on a *comparative approach* that we hope can stimulate consideration of significant parallels as well as contrasts in the trajectories of different countries.[33] At the same time, it should be noted that the present book has been written with few economic technicalities in an effort to facilitate comprehension by readers of different backgrounds with regard to the financial issues analyzed and the respective political conjunctures in the historical periods reviewed.

Until quite recently, the quantitative information available on the early history of the credit, banking and financial sectors in Latin America was scarce and even opaque, particularly for the nineteenth century. But as can be seen in the footnotes and Bibliography, there is now available a wide range of rich materials that can prove most useful for future studies. These include archival sources, documents from government financial ministries and departments, sources on parliamentary debates on banking, the recent reconstruction of statistical series, and materials from the newspaper press of Latina America – the latter now largely in digital form – containing information on many banking and financial projects and debates. In addition there is now digital access to an abundant literature of pamphlets and classic books on nineteenth-century Latin American finance that were previously difficult to locate.[34]

Precisely in order to facilitate access to the secondary literature and the documentary sources, we have constructed an independent research web page of sources that is open for consultation by anyone interested in Latin American financial history: it contains access to more than 200 published studies (many online) by a wide range of authors on the banking history of different Latin American countries, as well as an extensive database with several hundred series of historical statistics (in downloadable Excel format), which will be expanded in the future. An extensive bibliography

[33] Bértola (2016) advocate studying the comparative history of Latin American economies, without neglecting case studies.

[34] A great collection of Latin American historical documents can be found in the Hathi Trust site: www.hathitrust.org/. A good number of such texts can also be found in excellent university library sites such as the Harvard Library: https://library.harvard.edu/collections/latin-american-pamphlet-digital-collection.

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

is also provided in the site, as well as a series of small guides to archives and sources on the banking and financial history of numerous Latin American countries.[35]

In summary, the present book proposes a general chronology of the history of credit and banking in Latin America that combines analysis of medium- and long-term trends with attention to the birth and specific evolution of the most important banking enterprises, as well as a review of the diverse economic and political crises that influenced change in the financial regimes and systems of each nation. Such an approach can facilitate an understanding of the genesis of the early banks as well as of the institutional frameworks that molded their development. In order to grasp the main hypotheses advanced, we offer here a brief summary of the main objectives of the chapters that follow.

## THE LEGACY OF COLONIAL CREDIT IN SPANISH AMERICA AND BRAZIL

Our first chapter starts from a heterodox and novel approach that emphasizes the importance of exploring the legacy of colonial credit systems and asks whether they should be described simply as precapitalist regimes or whether they were more complex. As is well known, credit was essential to all preindustrial economies and was a major antecedent to the later development of modern banking systems.[36] But it should also be recognized that contemporary credit systems were highly segmented – both in Catholic Europe and in colonial Spanish America and Brazil – preceding the integration of credit and monetary markets, which took place later in the nineteenth and twentieth centuries. In any case, recent research suggests that colonial finance should not be qualified simply in negative terms. On the contrary, the traditional credit systems were the lifeblood of circulation and property during the 300 years of Spanish and Portuguese rule in the New World.

An important challenge is to identify parallels as well as contrasts with financial instruments that were characteristic of early modern Europe. For example, during the late colonial period in both Spanish America and

[35] See our website (http://hbancaria.org/), which includes extensive bibliographic information, references to the main archives and sources for Latin American financial history and an abundant iconography of early bank bills.

[36] The classic study is Braudel (1982–1984). More recently, see the first volume of Neal and Williamson (2014a).

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

Brazil, the increasingly extensive use of bills of exchange (*libranzas*) reflected the development of interregional systems of mercantile credit. Also of great interest was the creation of *mining banks* in Peru and Mexico in the eighteenth century that may even be considered as early investment banks. More extensive were the credit transactions supplied by hundreds of ecclesiastical institutions that were of great importance for urban real estate proprietors and rural landowners throughout both Portuguese and Spanish America. In sum, the principal objective of our first chapter consists in identifying key aspects of the role of credit and finance in the performance of the colonial economies, suggesting how loans and debts wove complex networks of relationships between many economic and social actors before the outbreak of the wars of independence.

## LATIN AMERICA'S INDEPENDENCE AND EARLY BANKING FAILURES

The second chapter reviews economic trajectories as a result of the wars of independence in Latin America (1810–1825) that caused a collapse of important parts of the old regime. A major question that has only begun to be studied by historians is the severity of the fiscal and financial impacts caused by the wars of independence and by subsequent civil wars on the economies of each country. Clearly, in such circumstances, the creation of banks and the development of formal capital markets proved to be extraordinarily challenging.

The historical evidence indicates that while the new Latin American states adopted many of the most modern constitutional and parliamentary institutions of the age, credit markets underwent changes quite slowly after independence. From the 1820s onwards, military and political conflicts as well as macroeconomic conditions created numerous obstacles to financial modernization. The text therefore explores the reasons for the success and failure of the first banking experiments in three countries of the region, Argentina, Brazil and Mexico, in the 1820s and 1830s. The creation of the first banking institutions, the Banco do Brasil (1808–1838) and the Banco de Descuentos de Buenos Aires (1822–1826), appeared to offer a promising future but soon faced serious problems, especially as a result of the naval conflicts between Brazil and Argentina in the years 1826–1828. Similarly short-lived was the remarkable and original experiment in investment banking known as the Banco de Avío of Mexico (1830–1840), which collapsed after a decade during which it financed a number of early manufacturing and mining enterprises.

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

In parallel to the early bank experiments, it is important to keep in mind that throughout Latin America the bulk of credit in this period was supplied by local merchant bankers, as well as by some ecclesiastical entities, but above all by private individuals who channeled savings into loans. Credit markets were operative on a local scale, but there was as yet little financial integration between regions as could be seen in the extreme variations in interest rates. These circumstances also reflected the prolonged and difficult process of state-building at a time of numerous internal and external wars, as well as a result of the slow processes of national unification, which often took decades.

## BANKING BOOM IN MIDCENTURY: AN INCIPIENT FINANCIAL REVOLUTION?

In the third chapter we describe the takeoff of commercial banking in Latin America from midcentury onwards, as witnessed by the establishment of almost 100 joint-stock banks in the more dynamic economies of the region between 1850 and 1873. The creation of banks was especially notable in cities and ports of Argentina, Brazil, Chile, Cuba, Peru, Mexico and Uruguay, developments that have not previously been analyzed from a comparative perspective.

The emergence of numerous commercial banks from the 1850s was in good measure the result of the dynamism of foreign trade that spurred early capitalism in Latin America. In fact, the majority of the new joint-stock companies were founded with local capital and, in some cases, with the support of governments. The largest commercial banks provided finance to domestic merchants and entrepreneurs, carried on business for local governments and also experimented with mortgage credit, acting as agents of an initial phase of financial innovation in this era. They also handled accounts of the very first railroad companies, tramways, telegraph firms and insurance firms, thereby stimulating the birth of a few small stock exchanges, symptomatic of an initial process of capitalist modernization.

A particularly striking feature after midcentury was the growing prominence of large banks that had strong connections with public administrations. Several cases are considered in our text, such as that of the Banco do Brasil (1853), which became a pillar of finance for the imperial government as well as a key actor in the buoyant coffee economy. In Argentina, the most important bank was the Banco de la Provincia de Buenos Aires (1854), which operated as a key agency both for the provincial government

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

and for the ranchers and merchants of the region, already the most prosperous in that country. The links between banking and politics in Argentina and Brazil and Uruguay intensified during the Paraguayan War (1865–1870), but with quite contrary outcomes. In the very different case of Cuba, it was the Banco Español de la Habana that became the main financial support for the Spanish colonial administration during the Ten Years' War (1868–1878). While the third quarter of the nineteenth century witnessed the proliferation of new banking houses in several nations, there remain many questions about the slowness experienced by other Latin American countries in following this path. One example, reviewed at the end of our third chapter, was that of Mexico, where a single commercial bank of importance was founded in 1864, a fact that speaks of a marked degree of financial backwardness at that time.

## DEBATES ON FREE BANKING VERSUS MONOPOLY ISSUE OF BANKNOTES

The fourth chapter addresses questions of a more institutional and political nature. From the 1850s and 1860s new legal frameworks influenced the specific challenges posed by the creation of new organizations such as joint-stock banking companies throughout much of Latin America. This phenomenon is of interest for the burgeoning field of business history in Latin America. Virtually all early banks were set up on the basis of charters (known as *contratos de concesión*), ratified by a given government that allowed a group of entrepreneurs to establish a banking firm. But what kind of banking models were considered, debated and adopted by the elites of the various Latin American nations after midcentury? The best known were those of Europe and the United States, yet they were not simply replicated. In fact, there was a creative process of adaptation of foreign models that were adjusted to local and regional situations in each country in a prolonged process of trial and error. The result was that the adoption of monetary and banking norms and regulations were often rather sui generis.

The conflicting aims of different interest groups with regard to banking and monetary regimes were reflected in the heated contemporary debates that engaged Latin American ideologues, politicians and financiers, but also illustrated the fact that they were well aware of similar financial polemics in Europe and the United States at the time. It is important to highlight the vitality of these discussions in the mid-nineteenth century as they constitute a fundamental chapter in the intellectual and political

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

history of financial policy and legislation in Latin America. For this reason, we summarize the extensive and often divisive debates in parliaments and the press in several countries in favor of, or against, free banking. In Chile and Colombia, the advocates of the free banking model tended to gain the upper hand, whereas in Argentina and Brazil the supporters of a *single bank of issue* (generally of an official or state nature) dominated. In some cases the debate between the opponents was described as a struggle between *papelistas* (paper money advocates) versus *monetaristas*, while in others reference was made to the battles of *oristas* (favorable to a gold standard) against *papelistas*. The intense discussions revealed strong differences between orthodox theorists, in favor of a strict gold standard, and pragmatists, who preferred the flexibility of inconvertibility. These confrontations remained characteristic in many later episodes of Latin American financial history and resonate down to the present day.

## THE FIRST BANKING PANICS IN LATIN AMERICA, 1857–1878

The fifth chapter of this book reviews the earliest banking crises experienced by different Latin American countries. Financial debacles were frequent in the leading capitalist economies in the world during the nineteenth century and have spurred a rich historical literature. However, the earliest banking panics in Latin America have received much less attention. Such a situation is not due to a lack of information, since the contemporary newspaper press as well as government and economic documents are surprisingly rich in this regard. The fifth chapter begins by identifying and recounting the trajectories of two early banking crises, those of 1857 in Brazil and Cuba, and follows up with analysis of the banking collapse of 1864 in Brazil.

In essence, we argue that the debacles of 1857 in the Havana and Rio de Janeiro markets represent clear cases of transmission of an international mercantile and financial crisis from center to periphery, and allow us to speak of *international financial contagion*. On the other hand, the panic of 1864 in Rio de Janeiro was a notable example of financial imbalance with domestic roots that led to the bankruptcy of four of the most prominent private banking houses in that city, then the most populous in Latin America. In addition, their collapse represented a serious threat to the Banco do Brasil, the largest bank in the nation, and led to a radical change in national monetary and financial policies.

A decade later, in the mid 1870s, another cluster of financial crises ricocheted across Latin America. In those years, a series of bank panics

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

occurred in Argentina, Brazil, Chile, Uruguay and Peru, accompanied by local stock market panics, currency crises and the abandonment of convertibility schemes. In turn, these years witnessed a sequence of sovereign debt defaults in eight states in the region. The most catastrophic financial debacle was that of Peru, where a dramatic debt default coincided with an exchange crisis and the collapse of the banking system during the years 1876 to 1879. The review of early financial crises and financial panics allows us to reflect on the diverse trajectories of Latin American banks and the possible causes of their relative fragility before the end of the century. But, again, it is worth asking: were domestic or external causes more important in generating the imbalances? There is still no consensus on this point, but there are already a few penetrating studies on specific case studies, which are reviewed in this chapter.

## THE NATIONAL BANKS OF THE 1880S IN LATIN AMERICA

After the end of the crises of the 1870s, the number of banks gradually increased throughout Latin America during the 1880s, although pride of place was soon taken by the rise of a set of large enterprises that built up networks of branches. Their appearance was also accompanied by a proliferation of regional banks, and both represented crucial steps in the gradual expansion of financial modernization and integration of credit markets in diverse countries. In the sixth chapter we ask why there was such a notable enthusiasm for the creation of national banks at this time. A first hypothesis concerns the increasingly close relationship between states and banking systems, emphasizing the growing financial requirements of governments that were going through political processes that would finally lead to their consolidation as nation states. A crucial factor in the multiplication of these large banks was the ascent of a series of strong political and/or military leaders in the 1880s in Latin America who achieved the submission of regional oligarchies into more integrated state-building projects. A second factor was the increasing acceleration and integration of national economies, accompanied by the growth of financial systems. This was clearly an age when capitalism was coming of age in many countries of the hemisphere, large and small.

Despite some similarities, the relations between large banks and governments in Latin America took different paths in each nation. For instance, the Banco do Brasil (1853) and the Banco Nacional de México (1884) were both large, private firms, although each assumed central roles within the public administration and managed financial operations for the private sector and

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

for governments. In contrast, the Banco Nacional de Argentina (1872) was more of a public entity since the government participated in its capital structure: its participation in debt finance was crucial, although it also developed a parallel and extensive business in private, credit operations.

Of special interest is consideration of the numerous financial crises of the 1890s when several of the largest Latin American banks suffered panics and, in some cases, total collapse, followed by drawn-out processes of recovery and restructuring. In sum, the trajectories of the national banks exhibited distinct political and entrepreneurial components. Furthermore, the rather haphazard experience of the early national banks explains why more comprehensive monetary and banking reforms would gather strength from the early twentieth century and lead eventually to the foundation of central banks.

## FOREIGN BANKS IN LATIN AMERICA IN AN AGE OF EARLY GLOBALIZATION

The final chapter of this book reviews the several waves of expansion of foreign banks in Latin America during the last third of the nineteenth century and the first decade of the twentieth century. This story is of special interest for readers interested in aspects of the complex and diverse nature of an early phase of financial *globalization*. Foreign banks participated in several phases of capital flows from Europe, and much later from the United States and Canada, marking a new stage of capitalism that was becoming truly global. The entry of banks of different nationalities into Mexico, Central America, the Caribbean and South America was led by the British, but followed by German, French, Spanish, Canadian and United States banks, in that order.

Certainly among the foreign banks, the British firms were pioneers, as is demonstrated by the fact that between 1862 and 1886 a total of ten British banks were operating in Latin America, mostly free-standing, and many survived until 1929. On the other hand, the role of non-British banks and bankers – particularly French and German – has often been neglected in Latin American economic histories. In the late nineteenth century the most aggressive new entrants in South America were the German banks, as demonstrated, for example, by the establishment of the Banco Alemán Transatlántico (a branch of the Deutsche Bank) in Buenos Aires in 1889, while in the case of Brazil, the pioneers were the Diskonto-Gesellschaft in Berlin and the Norddeutsche Bank of Hamburg, which founded the Brasilianische Bank für Deutschland in 1889 in Rio de Janeiro.

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37

Much less familiar is the history of the French bankers and investment banks that began to operate in Latin America, mainly from the 1880s, despite their considerable importance, which is underlined in this chapter. The expansion of French financial interests in the region followed various models. On the one hand, investment banks like Paribas took positions in a number of local banks closely linked to national governments, as was the case of the Banco Nacional de México (1884), the Banque Nationale d'Haiti (1880) and the Banco Internacional do Brazil (1889): they participated in sovereign loans, public works projects, in particular modernization of ports, as well as in the development of railways and early industrial companies.

A different picture emerges from review of foreign banks in the Caribbean. Here the pioneers were the Spanish banks in Cuba and Puerto Rico that played a major role in both local finance and transatlantic trade from the mid to the late nineteenth century. Nonetheless, by the first decade of the twentieth century other formidable competitors came to the fore, including two large Canadian banks, which opened offices in a number of the island economies. Soon they were joined by a few United States banks, although the latter were not able to legally open overseas offices until 1914. In the event, many of the foreign banks prospered during the first third of the twentieth century, although the Great Depression generally led to their decline or demise. In this regard, a review of the evolution of the varied groups of foreign banks in Latin America connects with contemporary debates on the cycles of economic globalization in the modern and contemporary eras.

In summary, the present book offers a survey of the early banking history of Latin America with the aim of suggesting its general relevance for comparative financial history. In a nutshell, we argue that the evolution of credit and the emergence of banks in the nineteenth century were molded by a process of slow capitalism that required gradual political, institutional and entrepreneurial adaptations in the diverse nations that are reviewed in this text. Perhaps the earliest and most complex challenges were those posed by the radical change from the colonial regimes to the new states that emerged in the nineteenth century, and it is precisely for this reason that our initial chapters focus on this fundamental transition, emphasizing the importance of exploring financial history as a phenomenon of long duration.

Downloaded from https://www.cambridge.org/core. UNIVERSIDAD AUTONOMA METROPOLITANA, on 05 Nov 2026 at 08:58:24, subject to the Cambridge Core terms of use, available at https://www.cambridge.org/core/terms.
https://www.cambridge.org/core/product/62391A8AE9478A463ED2D52250499A37