



EUROJÄRJESTELMÄ
EUROSYSTEMET

Comments on Roberds and Velde

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General comment

- The rise and fall of proto-central banks
- A rich paper with a lot of interesting detail and insights – and a very useful bibliography
 - It is important to integrate the continental development to the mainstream story of goldsmiths etc.
- Motives for founding the proto-central banks studied
 - Problems with coinage and government finance emphasized: essentially transaction costs at play
- Paper proposes an evolutionary story, with an “extinction event” in the form of Napoleonic wars
 - Better institutions superseded primitive ones

Motives for founding

- Roberts and Velde emphasize two in particular:
 - An improved payments system and unit of account
 - Giro banks, like the Bank of Amsterdam)
 - Helping the financing of government debt
- True, but reading the contemporary sources often points to broader financial development motives:
 - “The mobilization of capital” (from coffers to circulation)
 - “The scarcity of money” (cf. Keynes on mercantilism)
 - Availability of credit (and the replacement of usurers)
- History of monetary ideas plays a role
 - Metallism – Land-backed money – The real bills doctrine

The financial development dimension

- North European proto-central banks cases in point
 - Bank of Scotland (at first a bank of issue lending to private landowners, financing of government prohibited)
 - Law's land bank scheme (plan to demonetize silver)
 - Russian state banks (by 1790, bigger note issue than the Bank of England!) lent to the state and the landed gentry (Dead Souls!)
 - Norges Bank: an issuing bank backed by mortgage credit
- Other attempts to make landed property more liquid
 - Landschaften in Prussia, Poland, Baltic states
 - Compulsory membership of the landowning gentry
 - Mutual guarantee of the issued bonds

What changed?

- What changed?
 - The Bank of England/Banque de France model replaced the proto-central banking models
 - The hallmark: the real bills doctrine of what CB could do
 - Note that some metallist theory survived (currency dept.)
- Were the Napoleonic wars "**the** extinction event?"
 - Some cases, yes (The Netherlands, Denmark, France)
 - Proto-central banking lingered on in Russia, Norway...
 - Change could start even earlier (Bank of England!)
- Shift to the real bills doctrine was not simultaneous
 - Change spread from "the centre" to the "periphery"

On anachronisms

- Important to avoid anachronisms in research
 - The authors correctly note the problems of the public/private distinction in the pre-liberal era
 - Economic life was very corporatist and regulated
- What was the function of the proto-central banks?
 - Is it relevant to ask "what they added to markets"?
 - True: problems of asymmetric information, enforcement
 - Not incidental but parts of the general "underdevelopment"
- Why the proto-central banks disappeared?
 - What is "a superior species" (of an institution) depends on the stage of historical development, i.e. the context

Thank you!

