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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  - Better institutions superseded primitive ones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!

