

Finance, Intermediaries, and Economic Development. Edited by Stanley L. Engerman, Philip T. Hoffman, Jean-Laurent Rosenthal, and Kenneth L. Sokoloff. Cambridge: Cambridge University Press, 2003. Pp. ix, 350. £45.00.

This collection of essays, prepared for a 1998 conference held at the California Institute of Technology, is a fitting tribute to Lance E. Davis and his contributions to economic and financial history over the course of a prolific career that has spanned six decades so far. Though the body of Davis's work lies primarily in financial history and in elucidating the role of intermediaries in promoting economic development, some of the essays in the volume are broader in scope, considering markets for technology, capital accumulation in planned economies, social capital, and monetary policy. The result is an engaging set of essays that, despite at times being near the periphery of Davis's main themes, offer fresh perspectives on how intermediaries grease the wheels of economic life. In the interest of space I will emphasize here the contributions most closely related to Davis's agenda.

The international flavor of the volume is particularly appealing. In the first essay, Larry Neal and Stephen Quinn describe the institutional features that distinguished Britain's financial system in the early eighteenth century from its continental counterparts. In particular, the British system and its less formal system of clearing exchange bills through a network of brokers and bankers permitted the central bank to direct its energies and resources toward financing economic development rather than managing reserves held against potential liabilities arising in the course of commerce. Despite examples of how complex some of these private settlements could become as they reached across various financial centers in a series of intermediate steps, Neal and Quinn convincingly argue that the inefficiencies of the system were small compared to its macroeconomic benefits.

Eugene N. White follows with an essay on the history and microstructure of the Paris bourse from 1724 to 1814. Using prices from primary sources for the main securities traded therein, he finds that stocks were less volatile prior to the revolution and Reign of Terror, when entry to the brokerage profession was limited, than during the period immediately following it. An interesting discussion of Napoleon's interest in the operation of the French financial markets follows, along with evidence that the resumption of restricted entry for brokers lowered volatility once again. Although it is not always clear whether market structure or political events are at the core of the differences observed across regimes, White describes their confluence in an engaging style that will surely motivate further work in the area.

Philip T. Hoffman, Gilles Postel-Vinay, and Jean-Laurent Rosenthal consider the role of bankers and notaries in Paris over the half-century following the revolution, focusing on the factors that allowed notaries, despite some clear disadvantages relative to bankers, to remain in the business of deposit banking for decades. It appears that differences in clienteles among notaries led to increased concentration of lending activity among notaries that would experience higher failure rates than would those engaged solely in the business of intermediation. The failed notaries sold out to entrants who would retain the clienteles that desired loans but lose those who sought intermediation services. This kept certain notaries in the lending business longer than they should have stayed, and forced the government at last to prohibit notaries from lending. The authors offer a game-theoretic model of this mechanism that, although quite simple, captures the historical record and its empirical implications remarkably well.

Angela Redish examines the mortgage market in Upper Canada from 1790 to 1850, finding that mortgage-backed loans in the Niagara region were transacted primarily among residents of the region. Only a modest proportion of such loans were actually

used to purchase a farm, with the majority used instead for financing other long-term projects. Without such a market, which turns out to be as large in the aggregate as that for standard bank loans, the emphasis of the formal banking community on short-term lending might have further hindered development in the region.

The contribution by John B. Legler and Richard Sylla sheds new light on the operation of the New Orleans equity market and how well it integrated with Northern markets before and after the Civil War. The main archival work involves building annual series for prices, dividend yields, and returns for stocks traded in New Orleans between 1871 and 1913 using quotations from the *Daily Picayune* newspaper. Similar to Howard Bodenhorn's view of the banking sector, the authors show that the state of capital market integration may have retrogressed in the early postbellum era compared to that in the days of Biddle and Jackson. The findings suggest that the Civil War was disruptive enough even to put the "Federalist financial revolution" on hold, albeit perhaps only temporarily.

The extended yet thorough chapter by Kenneth Snowden emphatically dispels the notion that the modern U.S. Savings and Loan industry was simply a creature of depression-era federal intervention. In doing so it offers a unique view of how the pre-1930 Building and Loan industry developed a set of preferred principles and practices that guided the establishment of S&Ls—principles by which S&L officers largely abided for the next quarter-century and whose relaxation might well have been responsible for the industry's fall from grace in the 1980s.

In the final chapter, Michael Bordo, Michael Edelstein, and Hugh Rockoff apply Bordo and Rockoff's earlier framework for the pre-1914 period on adherence to the gold standard as a "good housekeeping seal" to the interwar era. Given the bad press usually associated with the interwar gold exchange standard, it is refreshing to see the period reconsidered in terms of the authors' "good housekeeping" hypothesis. A series of cross-country regressions add econometric rigor to a fascinating description of international financial arrangements in the period, and indicate that countries staying on gold or returning to it during the interwar period received better terms of credit than those that abandoned gold.

Overall, the striking feature of the collection is the originality of the contributions. Like Davis himself, those close to him understand well the importance of using data to illuminate the formulation of economic theory and policy. There are no "throwaways" here—just a demonstration of empirical economics and economic history at its best.

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The Forces of Economic Growth: A Time Series Perspective. By Alfred Greiner, Willi Semmler and Gang Gong. Princeton, NJ: Princeton University Press, 2005, Pp. xiv, 208. \$50.00.

The motivation behind this book is that hardy perennial among the questions of economic research: "What are the forces of economic growth and how can public policy enhance them?" (p. xiii). The authors adopt a time-series approach, investigating the growth experience of several developed countries (mainly the United States and Germany, with the occasional addition of France, Great Britain, and Japan) over the past half century. Then they compare the results with the theoretical predictions of the leading models of economic growth today.

Who is the winner? Which model offers the best fit? Generally speaking, the answer is "it depends" but the authors strive to go further than that. They defend their choice