

Makoto Kasuya ed., *Coping with Crisis: International Financial Institutions in the Interwar Period*. New York, NY: Oxford University Press, 2003. xv + 235 pp. \$64.50 (cloth), ISBN: 0-19-925931-3.

The interwar period offers an excellent laboratory for analyzing the effects of financial institutions on economies. Regulatory practices and institutional arrangements varied across countries at a time when banking crises were widespread and severe, and when responses by policymakers to the turmoil differed. Hence, a new book aimed at examining these crises from an institutional perspective has the potential to shed considerable light on the evolution of these differences as well as their lasting effects. Although the new edited volume by Makoto Kasuya moves us in the right direction, its selective coverage of the interwar period leaves the reader wishing for a more comprehensive treatment of the topic. There are some fine pieces of business history scholarship contained within its pages, but in terms of answering larger questions of a comparative nature, the ad hoc collection of articles in this edited volume limits its potential contribution.

It is not too difficult to root out the source of the problem – it is a conference volume. The chapters consist of papers presented at the twenty-sixth International Conference on Business History held at Mt. Fuji in September 2000. If one were apt to view current policy through the lens of history, then organizing a conference on interwar institutions and financial crises in Japan seems quite appropriate, given Japan's financial crisis in the second half of the 1990s. The problem comes in translating the conference proceedings to a book about the institutional response to financial crises in the interwar period (as the title and author's introduction suggest). The ten chapters focus on only five countries: Britain, France, Germany, the United States, and Japan. After an introductory chapter by the editor, the remaining chapters are divided into three broad categories: commercial banking (four chapters), universal banking (two chapters), and insurance and securities (three chapters). As might be expected, given the location of the conference, Japan receives a more thorough treatment (three chapters are devoted to its institutions); France, Japan, and Britain receive only a single chapter devoted exclusively to their institutions. One chapter per country might have been sufficient if all the papers followed a similar design and examined institutions in a like manner or alternatively surveyed banks, insurance, and securities in a parallel fashion. But the topics the chapters cover are quite distinct, ranging from the history of Merrill Lynch and its impact on middle-class investors in the United States after the Depression (Chapter 10 by Edwin Perkins) to the internal policy decisions of Mitsui Bank during the interwar period (Chapter 5 by Shinji Ogura). Because similar analysis is not provided for the five countries (some are written as business history articles while others have more of an economic history flavor), the scope for making comparisons across countries is not fully realized.

The introductory chapter by Kasuya provides a nice overview of the institutional makeup of each of the countries studied, and then attempts to draw out the linkages in the chapters by emphasizing the role that the Great Depression played in transforming institutions, industry structure, and regulation. He argues that financial regulations were tightened in all countries in the interwar period, especially around the time of the Great Depression. In fact, some countries had changed their regulations prior to World War I, while others weathered the storm quite well and saw little need to tighten regulation even after the Depression. Countries such as Australia and Canada came into the interwar period with banking systems that were better equipped to deal with large macroeconomic shocks (Canada had developed an extensive system of branch banks and had implemented restrictions on real estate lending while Australia, in response to the 1890s Depression, had weeded out weaker banks, raised capital standards, and also placed limits on its commercial banks' ability to make loans against real estate). Including counter-examples such as these would have further distinguished the comparative approach of the book. Kasuya's introduction also emphasizes that the Depression induced regulatory change in many countries, but it is rather silent on why the response varied across countries. For the most part, it attributes regulatory change to public concern over the crises. However, it is quite likely that other factors such as interest group pressure and the private motives of regulators shaped regulatory outcomes during the interwar period. To cite one well-known example, the creation of the Federal Deposit Insurance Corporation in United States was as much the product of industry lobbying by unit bankers (who, despite their depleted membership ranks, were able to convince Congress that deposit insurance was preferable to interstate branch banking) as it was a response to public concern over banking instability. The book thus misses an opportunity to highlight other factors,

besides public response to crises, that may help explain the evolution of differing financial institutions during the interwar period.

Nevertheless, some comparisons across countries can at least be made with respect to commercial banks. Using a sample of the career paths of senior executives of the 27 largest banks in France, England, and Germany, in chapter 2, Youssef Cassis examines the extent to which each of these countries had begun to put into place professional management structures and how the Depression shaped these efforts. The next chapter by Michael Collins and Mae Baker argues that British firms for the most part did not engage in long-term lending to industrial enterprises, even in spite of political and economic pressure to change their traditional lending practices. According to Ogura's discussion in Chapter 5, commercial banks, including Mitsui Bank, also followed short-term lending policies (in part by expanding into the securities business) until the war with China led the government to put pressure on banks to provide more long-term loans to fund munitions companies. In a piece that is more economic than business history, Eugene White provides an interesting look at the origins of maturity mismatch, which he argues emerged as the result of New Deal policies that favored longer-term loans, a shift from pre-Depression practices of banks.

The remaining chapters consider universal banks and non-bank financial institutions, and the sparse coverage of countries makes comparisons more difficult. The chapter by Brussiere is a well-developed case study on how Paribas became a universal bank (as practiced in Belgium) after World War I, but then moved away from this strategy to ensure its survival during the Depression. Wixforth, on the other hand, looks more generally at large German banks in Chapter 7 and argues that they were in a weakened position prior to the Depression because of factors such as inflation, declining capital-to-asset ratios, and competition. Two of the chapters from the last section examine life insurance and securities markets in Japan (by Tastsuki and Kasuya, respectively), and discuss how government regulation helped the former but mobilization for war hindered the growth of the latter.

Ultimately, what the book lacks is a way to bundle the articles into a balanced package that would appeal to economists and economic historians as well as business historians. The most obvious way to do this would have been to integrate the institutional analysis more fully with the macroeconomic history of the period, paying particular attention to the effects of the agricultural overhang and financing burden associated with World War I, the growth of new industries and the construction boom of the 1920s, and the Great Depression. From a broad perspective, understanding the evolution of financial enterprises during the interwar period is interesting because of the special relationship these firms have with the broader economy. Using macroeconomics to frame the institutional analysis might have meant that several interesting and important aspects of interwar finance and institutional innovation that ended up receiving short shrift in this volume could have also been included. Two in particular stand out. First, there is little comparative analysis related to the rise of consumer installment financing or hire purchase (in the United States, Canada, and Great Britain) – one of the most revolutionary aspects of finance during the 1920s and 1930s and one that has been linked to the severity of the Depression in the U.S. by economic historians such as Martha Olney. Second, and again in a comparative sense, the book does not illuminate which institutions or institutional innovations were crucial for financing the post-World War I investment boom that manifested itself in residential construction in the United States, Canada, Finland, Sweden, the Netherlands and other parts of Europe and in the growth of new technology sectors such as automobiles, radios, and other consumer durables. A comparative discussion of these issues would have been well received by scholars of the interwar period.

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