
H-France Review Vol. 6 (June 2006), No. 73

Youssef Cassis and Éric Bussière, *London and Paris as International Financial Centres in the Twentieth Century*. Oxford and New York: Oxford University Press, 2005. xii + 367. Notes. \$125.00 U.S. (cl). ISBN 0-19-926949-1.

Review by Martin Horn, McMaster University.

Throughout the twentieth century London and Paris were two of the world's leading international financial centres. The former was the dominant global marketplace for much of that period and remains in the front rank today. Paris, if not quite so prominent since the First World War, has been a leading entrepôt. Such stature is not a given—witness the Genoese bankers or the fortunes of Amsterdam. This collection of essays attempts to chart the vicissitudes of London and Paris in the twentieth century as well as speculating on what the future might hold. It is an undertaking that is made more challenging by the question of method—how should the histories of the two be approached?

One possible avenue is through a set of comparative essays but the drawback is evident, as Youssef Cassis notes in his introduction (pp. 5-9). Few scholars work in both the history of Britain and France, fewer still in the financial history of London and Paris. Consequently the fourteen papers in the collection proceed along parallel lines rather than comparative ones. Seven contributions are devoted to each of London and Paris. The editors have chosen to divide the volume into three chronological periods—an era of globalization, pre-1914; the world wars era, 1914-58; and a second era of globalization, from 1958 to the present. Why 1958? French historians might think that the date was chosen because of the advent of the Fifth Republic. This is not the case, as 1958 marks the abandonment by the British of efforts to maintain a sterling currency bloc internationally. In conjunction with the beginnings of the Eurobond market in the late 1950s, this was a critical step along the road that transformed financial markets.

Twelve of the essays fall into the two eras of globalization, leaving a pair of surveys to span the years from 1914 to 1958. Choosing to frame matters this way says much about contemporary preoccupations with globalization. In fairness, the editors also had to take into account the interests of their contributors. Nonetheless there is a lack of balance apparent. Certainly any volume on the twentieth century, particularly one that claims “this book intends to be an Anglo-French comparison; in other words, to consider, through the prism of finance, several aspects of the two countries’ economic, business, social and political histories” ought to pay more attention to the upheavals of 1914-58 (p. 8).

One way of reading this volume is to work through the essays on London then Paris or vice-versa. Doing so allows for a better understanding of the respective history of each centre. Given that most historians remain anchored firmly in a national context this may be the most appealing approach, particularly for historians of France whose interests do not venture across the Channel. The essays on Paris by Alain Plessis, Marc Flandreau and François Gallice, Samir Saul, Hubert Bonin, Olivier Feiertag, Eric Bussières, and André Strauss fall into two camps. The contributions by Flandreau and Gallice, Saul, Feiertag, and Bussières are archivally based studies, while the remaining three pieces are surveys.

Plessis’s opening contribution is intended as an overview of the recent history of Paris as a financial centre. Plessis argues that the heyday of the Paris market was 1890-1914 when, among other factors, the plentiful capital of the French bourgeoisie and the strength of the Bank of France allowed Paris to

claim it was a rival to London. But the First World War changed matters. Though the war was a shared experience for Paris and London, its effects, according to Plessis, were not uniform—Paris suffered more. Retrenchment lasted until 1926, when the stabilization of the franc allowed for a brief period of hope, from 1928–30, which was symbolized in the effort to launch a French accepting bank (p. 49). The Great Depression, however, propelled Paris into what Plessis labels years of “enduring eclipse” from 1931–58 (p. 50). The years after 1958 are summarily treated in a page or so. Plessis’s emphasis upon the pre-1914 period is unsurprising given his distinguished research record in the area. Because Paris was at the height of its influence as an international financial centre before 1914 other scholars have also long been interested in the Bank of France, French external lending, and the French role in the operation of the classical gold standard.

Flandreau and Gallice in their interesting essay come at matters from a different perspective. They use the records of Paribas to analyse short-term international capital movements. A careful dissection of the Paribas international bill portfolio produces findings that will be of interest to historians of international relations and economics. They suggest that “international monetary ties on the continent, on the eve of the First World War, were much more significant than is usually thought” (p. 84). This verdict was echoed in the *Quai d’Orsay*, where doubts about the conduct of French banks during the Second Moroccan Crisis in 1911 were bruited widely. Strikingly, Flandreau and Gallice note that London “was international finance’s neutral ground where French and German banks could hobnob in a political no man’s land” (p. 97). The authors argue that what their study shows is that private banks acted as bankers to emerging states in a role akin to that of the modern day IMF, whereas the Bank of France, often seen as a pillar of the gold standard, failed to act in ways attributed to it by modern scholarship. In short private banks like Paribas were an integral part of the successful functioning of the gold standard. Critics might ask, legitimately, how typical was Paribas?

To this question, at present, there is no conclusive rejoinder, though Samir Saul’s essay on international syndicates in the Paris market observes that firms such as Paribas took a back seat to the joint-stock banks, *Crédit Lyonnais*, *Société Générale* and their ilk. His investigation of the syndicate membership before 1914 leads him to conclude that the *banque d’affaires* did not necessarily head syndicates, yielding pride of place to the joint-stock banks more often than not.

After 1914–18, of course, French loans abroad were less common. Domestic needs were paramount, as the massive expenditures associated with the war had weakened the position of Paris while the repudiation of the Russian loans had dealt a damaging blow to investor confidence. The *rentier* never quite recovered from this blow. In this context Bonin is interested less in frailty than he is in resilience—how did Paris manage to hang on to some vestiges of its former influence in the difficult years from 1914–58? His answer stresses the continued willingness of French banks in the interwar period to engage in lending, particularly in Eastern and Central Europe. Paris’s ongoing function as a marketplace for foreign exchange was another strength. Bonin admits that Paris could not compete with London, itself struggling to maintain its pre-war dominance against the incursions of New York. If there was an opportunity, perhaps it existed in the late twenties and early thirties, though Bonin hints elliptically that he does not subscribe to the notion that such a window ever existed (p. 193). 1940 meant that Paris ceased to have any meaningful international financial role, and after the Second World War the weaknesses of the French economy coupled with a desire to embark upon a more *dirigiste* path meant that Paris lost even more ground as an international financial centre.

The trouble here is that one essay, no matter how well done, cannot do justice to the period from 1914–58. This is especially true of the years after 1929. To mention two notable issues, in the crisis of the 1930s, what price did stubborn French adherence to the gold standard (devaluation did not occur until 1936) exact upon Paris as an international financial centre? Recall the cruel jibe of the American

secretary of the treasury Henry Morgenthau Jr., that loaning money to France was akin to throwing it into the Atlantic. Secondly, after Vichy, how did American desires for a more liberal, open market European economy clash with French desires that increasingly emphasized internal European solutions after 1945? Multilateralism and Bretton Woods jostled uneasily with the pan-European ideas of Jean Monnet and Robert Schumann. Understanding how Paris fared after 1958 requires recognition of the impact of the traumas of the 1930s as well as the clash of ideas in the years from 1944 to 1958.

Recovery, or at least the effort to restore Paris as an international financial centre, was a slow, halting process. Feiertag, in his essay on the Paris Bourse, while not disputing that Paris was a backwater for much of the period running from the 1950s through the mid-1980s, suggests that the reasons for this are more complex than the imposition of controls by the French state. He argues that the conservatism of the Bourse was part and parcel of the “closed nature” of the French financial system that had cohesion and stability as its leading traits (p. 243). Change was resisted rather than embraced and only occurred as a consequence of the growing tension between this overdraft economy and international developments that were prompting liberalization in markets globally.

A different analysis is offered by Bussièrès, one that concentrates upon the role of Paribas and Credit Lyonnais in the Eurobond market in the 1960s. The rise of the Eurobond and Eurodollar market, beginning in the late 1950s, was a critical factor in the resuscitation of the global role of the City of London. Bussièrès points out that Paribas and Credit Lyonnais were not willing to be sidelined by City competitors, and instead employed their international links and alliances to wedge their way successfully into the Eurobond market. These activities, Bussièrès argues, contributed to the liberalising of French banking. In his view the state, with its continued adherence to *dirigiste* prescriptions, hindered rather than assisted Credit Lyonnais and Paribas (p. 281). To Straus falls the task of assessing the future of Paris in an increasingly integrated Europe. He concludes “[y]et despite, or because of, its relatively modest growth, the U.K. has in London an absolutely prime international financial centre with which Paris cannot compete on a world scale” (p. 325). The question thus arises, why?

The essays on London offer some answers. Shared experiences hobbled London and Paris during the periods 1914–18, the 1930s, 1939–45 and its immediate aftermath. The difficult middle years, the period that Cottrell labels the “long winter”, conferred an advantage on London because it was so much bigger than Paris as an international financial centre (p. 171). Its strengths atrophied more slowly. Put another way, when the City revived from the late 1950s onwards, the specialization of the labour force remained and was dormant rather than extinct and thus expansion was more straightforward. Secondly, although it is often over-stated, it did not hurt London’s position that British hegemony was succeeded by American supremacy. Language was helpful, in the post-1945 world of American economic supremacy, at least until the collapse of the Bretton Woods system and the onset of the first oil shocks in the early 1970s.

By that juncture, the City had rebounded sufficiently that language mattered less. Baker and Collins, who chart the growth of foreign bank branches in London, make this point. Initially it was American banks that located in the City in the 1960s but thereafter the City became multinational as European, Middle Eastern, and Asian banks decided that they could not be excluded from what had now become the largest global foreign exchange market. The existence of huge sums of oil money sloshing around in international markets coupled with the “benign attitude of monetary authorities” made London even more attractive (pp. 262–63). Certainly successive governments and the Bank of England were, as Schenk details, open to innovation and improvisation. Much of this might be construed, mistakenly, as triumphalism. In his essay Richard Roberts sounds a cautionary note about London’s current high-flier status. Roberts argues that the after effects of the September 11, 2001 attack on New York may include a shift away from large international financial centres due to their susceptibility to terrorism attacks. If

so, he concludes that the 1980s and 1990s may well be remembered as the apogee of a long history rather than the beginning of an even more glorious future (p. 311).

What emerges from these pieces about Paris as an international financial centre? One thing that is apparent, oft-mentioned, but never discussed thoroughly is the role of the state. It is assumed to be baleful and negative. This characterisation notwithstanding, the state as an actor in the fortunes of Paris needs to be addressed. Even in its late nineteenth century heyday the Paris market had been under the control of the state in its international lending. The Quai d'Orsay before 1914 retained a veto over loans abroad. This raises another issue. A curiosity of the volume is the absence of international relations—clearly the well being of Paris and London was linked intimately to international politics. The turbulence of the 1914-45 years, brought on by the world wars, occasioned retrenchment and contraction in Paris and London. Post-1945 the recovery of both as marketplaces owed much to the growth of the European Community made possible by the Cold War, while the collapse of the Soviet Empire in the early 90s has opened the door to the dramatic expansion of the European Union. This development, as Straus points out (p. 325) has rekindled hopes in Paris that its future as an international financial centre lie once more in an embrace of European possibilities. If this transpired, a facsimile of the pre-1914 financial world would be recreated, when French financial interests were fixated upon Europe, while the City of London catered to the world. If this scenario should occur it would increase the seductiveness of explanations that emphasize globalization, perhaps at the expense of understanding the trials and tribulations of Paris as an international financial centre in the twentieth century.

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ISSN 1553-9172