Domestic and Foreign Finance in Modern Peru, 1850–1950

Financing Visions of Development

Alfonso W. Quiroz

Associate Professor of History
Baruch College, City University of New York

in association with
ST ANTONY'S COLLEGE
OXFORD 1993
Contents

List of Figures and Tables ix

Preface x

Acknowledgements xiii

1 Introduction 1
   Finance and Economy: Methods of Inquiry 2
   Financial Traditions and Innovations 3
   Impact in Latin America 6
   The Export Economy in Peru 10
   Periods of Peruvian Financial History 13

2 The Colonial and Post-Independence Heritage 15
   The Bourbon Financial Reforms 16
   Early Republican Debts 23
   The ‘Guano Age’ Private Banks 28
   Foreign Public Debt Problems, 1850–79 33

3 The Domestic Financial Structure, 1884–1950 43
   1884–1901: Regeneration and Commercial Creditors 44
   1902–15: Banks and Oligopolies 62
   1916–30: Planters Become Bankers 74
   1931–39: Cotton, Liquidity and Recovery 83
   1940–50: Demise of Agro-Export Influence 85
   Long-term Effects of Diversification 87

4 Elite Groups and Private Financial Management 90
   Private Groups: Obstacle to Development? 90
   Informal and Institutional Finance 94
   Formation and Transition of Domestic Groups 96
   Achievements and Shortcomings in the 1920s 110
   Elite Groups after 1930 113
## Contents

5 Financial Aspects of Regional and Income Inequalities  116  
- The Decline in Regional Isolation  117  
- Groups, Regions and Financial Concentration  124  
- The Politics of Regional Finance  133  
- Financing Lima’s Real Estate  137  
- Small Savers and Investors  145  

6 Financial Policies and the State  154  
- Regulation and Policy Debates before 1919  155  
- Loans and Intervention in the 1920s  167  
- Central and Development Banks since 1931  178  
- Financial Controls and Industry in the 1940s  182  

7 Interaction of Foreign and Domestic Finance  187  
- Pre-1920s Foreign Financial Flows  188  
- Loan Expansion under Leguía  199  
- Foreign Finance during the 1930s  205  
- Financial Consequences of the Second World War  211  
- Regained International Credit  215  

8 Conclusion  217  

Appendix A: Comparing Peruvian Financial Performance  219  
Appendix B: Domestic Banking Data, 1872–1952  222  
Appendix C: Commercial Banks’ Credit Allocation by Economic Sector  224  
Appendix D: Clients of the Banco del Callao and the Banco del Perú y Londres 1884–1930  225  

Notes and References  226  
Selected Bibliography  265  
Index  287