

The Uruguayan monetary and banking system, 1857-1913

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Abstract

Uruguay's first monetary law was passed in 1862, establishing the gold value of the peso, while the country's first banking law, allowing for multiple private currency-emitting banks, passed in 1865. While maintaining the Gold Standard was a constant policy objective at least until 1914, the banking system evolved over time. The tension between a competitive free banking system and the establishment of privileged state banks was continually present, and by 1907, a single state-owned bank was granted a monopoly over currency emission.

The system established in the 1860s proved to be unstable during the initial years, leading to bouts of inflation, banking crises and periods of currency inconvertibility. However, from 1876 to 1914 Uruguay was able to adhere to the Gold Standard and maintained relative banking stability, with the exception of the 1890 crisis, which coincided with the Baring Crisis in neighboring Argentina that same year.

This paper presents data regarding capital, currency emissions, reserves, deposits and credit of the banking sector in order to track the performance of the Uruguayan banking system from 1857 to 1914. Changes in monetary aggregates are examined in relation the evolution of the banking system. Furthermore, the behavior of banks is examined in regard to differences in the origin of bank capital (domestic or foreign).

Introduction

Uruguay appears to be one of the success stories of engagement with the world economy during the first globalization. The country ranks well among a group of Latin American economies that grew rapidly in the decades leading up to 1914, based in large part on the export of natural resources to international markets.¹ Like the other high growth economies in the region, Uruguay was heavily dependent on foreign capital.² One factor that set Uruguay apart was its adherence to the Gold Standard, which was almost continuous from 1876 to 1913.

The Uruguayan historiography suggests that the conservatism of the major banks, and the commercial class that backed them, was the major force behind the maintenance of the Gold Standard. However, there was a constant tension between these conservative forces and those who pushed for more expansionary monetary conditions. This second group argued that the system excluded rural landholders and urban capitalists from access to credit (Barrán and Nahum, 1971: 444-52). The moments when more expansionary banks, often with close ties to the state, were permitted to operate, tended to end in disastrous banking crises and suspension of gold convertibility. This occurred several times in the 1860s and 1870s, and again in 1891.

In an effort to understand Uruguay's experience under the Gold Standard, this paper examines the country's banking sector, -itself a recipient of foreign investment-, and the monetary system it stewarded. Uruguay's first banks were established in the late 1850s. An 1865 law organized the banking system, allowing for multiple private currency-emitting banks and requiring bills to be convertible to gold on demand, thus institutionalizing both free banking and the Gold Standard. Foreign and domestic capital were treated equally. The banking system evolved over time, with the tension between those in favor of a competitive free banking system and those favoring the establishment of privileged state banks being continually present. By 1907, a single state-owned bank, the Banco de la República, was granted a monopoly over currency emission. The system established in the 1860s proved to be unstable during the initial years, leading to bouts of inflation, banking crises and periods of currency inconvertibility. However, from 1876 to 1914 Uruguay was able to adhere to the

¹ With less than 2% of the region's population (Bértola and Ocampo 2010: 95) and less than 1% of its surface area, it was the seventh largest economy in Latin America in 1913. GDP grew at an average annual rate of 3.9% from 1870 to 1913, second only to Argentina's 5.8%, and higher than the average rate for the region of 3.5% (Bertola and Ocampo, 2010: 108) Uruguay was Latin America's sixth largest exporter by value throughout the period, and in the top four in terms of export value per capita (Bértola and Ocampo, 2010: 98).

² Among independent Latin American countries, by 1913 only Argentina, Brazil, Chile and Mexico had received more foreign investment than Uruguay, in absolute terms. The value of total foreign investment per capita placed Uruguay in 4th place after Argentina, Peru and Chile, while for British investment it was in 2nd place, after Argentina. (Total investment per capita is own calculation based on foreign investment figures for the UK, France, Germany and the US from Fishlow (1985) and population figures from MOxLAD. British investment per capita is own calculation based on British foreign investment figures from Stone (1968) and population figures from MOxLAD.)

Gold Standard and maintained relative banking stability, with the exception of the 1890 crisis, which coincided with the Baring Crisis in neighboring Argentina that same year.

The best treatment of this topic can be found in Acevedo (1903; 1933a; 1933b; 1934a and 1934b), which provide much of the data relied upon in this paper. Acevedo stresses the dangers that arose when privileged state banks were permitted to break the monopoly of the old guard conservative banks, and how government intervention often made crises worse. Acevedo shows how during government decreed convertibility suspensions, the worst offending banks continued their excessive currency emissions, making their eventual liquidation all the more painful for the economy (Acevedo, 1903: 221). However, Barrán and Nahum (1971; 1973) highlight negative consequences of long periods of tight money under the Gold Standard, arguing it choked off credit to the countryside and impeded development. In other words, the Gold Standard hindered financial development, which could have had negative consequences for economic growth.

The main objective of this paper is to reconstruct the evolution of banking sector capital and monetary aggregates for Uruguay from 1857 to 1913, and thus provide a database for the future study of Uruguay during this period. Specifically, data on capital, specie reserves in banks, bills in circulation, bank deposits and bank credit are presented. A second objective is to examine the evolution of these monetary aggregates, and compare the financial development during the period to that of Argentina. A third objective is to study the composition of the banking sector and the behavior of individual banks during the period. Banks are ranked as either more “conservative”, in that their behavior supported the maintenance of the Gold Standard, or “expansionary”, in that their lending put in danger the fixed exchange rate. The origin of capital, that is, foreign or domestic, and whether this relates to the issue of Gold Standard maintenance, is also examined.

Following this introduction, section 2 gives a brief description of the evolution of the banking and monetary system from the 1850's to 1913. Section 3 presents a reconstruction of capital for the entire banking sector from 1857 to 1913. Section 4 presents the data on monetary aggregates and the behavior of the overall banking sector in terms of reserve ratios. Section 5 delves into the composition of the banking sector by bank and the behavior of specific banks in different sub-periods. The final section offers some concluding remarks.

Section 2: the Uruguayan monetary and banking system

The general outlines of Uruguay's monetary system were established in the 1862 Monetary Law, which established the gold value of the Uruguayan peso, and the 1865 Banking Law which, among other things, officially established gold convertibility, thus putting Uruguay on the Gold Standard (Acevedo, 1903: 287).³ Silver and other metals were still allowed to

³ Throughout the 19th century, several laws upheld a bimetalist standard; an 1854 Law permitted the circulation of French, Spanish and Latin American gold and silver coins, as well as the minting of domestic pieces (Devoto, 1976: 79-80). The 1862 Law updated the system, redefining the metal content of the peso and establishing the exact exchange rates with different foreign coins based on their weight and metallic content, this time including US, British and other European currencies (Acevedo, 1903: 268-290). The Uruguayan peso was defined as 25.48 milligrams of silver at 917 fine, while the Uruguayan gold doubloon (valued at 10 pesos) was to contain 16.97 grams of gold at 917 fine. This implied following exchange rates:

circulate and to be used in payments, but on in small fractions of the total amount owed, thus serving as way to augment the supply of small denomination coins.⁴ Although minting of gold coins was provided for in the law, it never occurred in Uruguay during the period. The economy relied on the circulation of foreign coins and bills, as well as the emission of gold-backed paper currency by local banks.

While these aspects of the monetary regime remained relatively unchanged over the period, the banking system evolved over time. 1857 saw the founding of Montevideo’s first banks: the Banco de Mauá, named after the Brazilian financier who promoted it, and the Banco Comercial, established by local merchants. The Mauá bank would be the main actor in the sector until its collapse and liquidation in 1876. A third bank, the London and River Plate (LRP), of British origin, began operating in 1863. Along with the Comercial, it was one of the major players in the banking sector throughout the period. All were headquartered in the capital, Montevideo, with some opening branches in the port cities of Mercedes, Paysandú and Salto, on the Uruguay river (BROU, 1918: 15). In addition to these, a few small, short-lived banks were founded in some towns in the interior of the country, including the Banco Comercial de Salto, in 1858, and the Banco Comercial de Paysandú, in 1862 (Jacob, 1996: 65).

These banks were given charters to operate by the government under similar, but not identical, terms. For the Comercial and LRP, paper currency emission was limited to two times the bank’s capital, while for the Mauá, the limit was three times the level of capital. The 1865 Banking Law homogenized this rule, imposing the limit of paper currency emission three times the level of capital for all current and future banks. Gold convertibility was strictly imposed, the immediate closure of the bank being the penalty if even one peso could not be converted on sight. In the case of bank closures, paper currency holders had first claim on the bank’s assets. Charters were to be given for twenty years at a time, and the government was prohibited from forcing banks to offer it credit or from offering privileges to specific banks (Acevedo, 1903: 307-08). No other restrictions were placed on bank balances; in particular, minimum metallic reserves in relation to currency emissions or deposits were not required.

This early period was a tumultuous time for the country, economically and politically. Demand for Uruguayan cow hides and wool created conditions for growth, as did the War of the Triple Alliance, in which Uruguay participated with Argentina and Brazil against Paraguay, and for which Montevideo became a convenient entrepot for supplying the armies fighting upriver (Acevedo, 1903: 208). Under these conditions, commerce boomed. The Montevideo Stock Exchange opened its doors in 1867, construction began on the country’s first railway and the telegraph cable to Buenos Aires was tended (Acevedo, 1903: 216). Several new banks were

| Currency | Value in Uruguayan pesos |
|-------------------------------|--------------------------|
| Ounce of gold | 15.12 |
| British pound | 4.7 |
| Argentine gold peso | 0.93 |
| Spanish doubloon (100 reales) | 4.82 |
| 20 marks | 4.6 |
| 20 francs | 3.73 |

Source: Acevedo 1934 (volume IV): 73

⁴ For example, for payments of over 5,000 pesos (about 1,064 pounds), only 2% of the total could be paid in silver coins. Copper coins could also be used in small amounts, replaced by nickel in 1900 (Acevedo, 1903: 287).

founded: The Banco Montevideo and the Banco Comercial de Minas in 1865, the Banco Navía and Cia. and the Banco Italiano in 1866, the Banco Oriental in 1867 (Acevedo, 1903: 211, Acevedo, 1933b: 350) and the Banco Franco-Platense in 1871 (BCU).

The Mauá bank was the largest and most important bank during this initial period and remained so until its liquidation in 1876. It relied heavily on its relationship with the state, lending funds to cover government deficits and handling sales of public debt, including the country's first international bond emission, the 1864 *Emprestito Montevideo-Europeo* (Nahum, 1994: 17). Throughout most of the years in which it operated, its paper currency emissions were the largest in circulation.

The Comercial and the LRP banks were also important during this period. They acted more conservatively than the Mauá, shying away from lending to the government and other risky ventures, concentrating on financing commerce through short term lending and discounting of bills, and operating in the foreign exchange market (Joslin, 1965: 54; Comercial, 1957). Throughout the period under study, these two banks continued to operate and remained important players in the banking sector.

However, in this early period, civil war threatened periodically, and external shocks, such as the 1866 Overand Gurney crisis in England, upset markets. The Montevideo and the Italiano closed their doors in June of 1868, due to a crisis that year, and the Oriental followed suit a few months later (Acevedo, 1903: 220). Between 1865 and 1868, the government decreed the inconvertibility of paper currency, in order to save overextended banks (primarily the Mauá bank), no less than four times.⁵ In March of 1875, due to another crisis, convertibility was suspended once again (Acevedo, 1903: 240). This act was resisted by most banks, in particular the Comercial and the LRP, as well as most of the other financial and commercial houses, a pact being signed not to accept the inconvertible bills in circulation and to operate only in gold.

1876 was a key year. A military government which took control the previous year reversed the inconvertibility decree and instituted a policy of purchasing and burning all the old inconvertible bills (Acevedo, 1903: 456-57).⁶ It also reintroduced the Gold Standard, guaranteeing convertibility of paper currency and gold, and reducing the use of silver coins in payments to minimal amounts. The Mauá bank was finally liquidated, as was the Navía.

When prosperity returned in the early 1880s, calls arose for a more expansionary monetary regime. The idea of a national bank was floated, in part to fill the void left by the Mauá bank (Guerra et al., 2008: 43-44). In 1883 the Executive branch promoted a plan for the founding of the Banco del Uruguay with almost 10 million pesos (2,127,660 pounds) in capital, the

⁵ In 1865 it was as a result of the blockade and bombardment of Montevideo by rebel forces. In 1866, inconvertibility was declared due the bank run caused by news of the Overand Gurney crisis in England. In December of 1867, cholera outbreaks, trouble in the livestock and agriculture markets and commercial shocks due to Argentina's insistence that goods shipped from Uruguayan ports to the war zone in Paraguay pay duties in the Argentine river port of Corrientes, combined with over emissions by certain banks, prompted the government to declare inconvertibility for six months, and in June of 1868 again, this time for twenty months. (Acevedo, 1903: 217-18).

⁶ These were slowly amortized over the years, with some still in circulation in 1890 (Acevedo, 1934a: 559).

privilege of handling the government's accounts and a mandate to establish a mortgage department, modeled after that of the Banco de la Provincia de Buenos Aires (BROU, 1917: 26). This plan, however, failed to gain approval in the senate.

The only banks to survive the 1875 crisis, the Comercial and the LRP, were joined by several more in the following decade. Of British in Origin, the London and Brazilian Bank opened a branch in Montevideo in 1878, and the English Bank or the River Plate, which began operating in Buenos Aires in 1881, opened a branch in the Uruguayan capital in 1885. The first of these, with limited capital, remained a relatively small player. The English bank of the River Plate, under the direction of an ex manager of the LRP, staged a more aggressive credit policy than that of the established banks, expanding into activities which the LRP and Comercial had refused to participate in. These included advancing funds to the government, maintaining low reserve ratios and making loans on insufficient collateral. The ambition of the English Bank of the River Plate was to occupy the position that would have been held by the Banco del Uruguay if it had won approval (Winn, 2010: 46-47).

1887 to 1889 were boom years, fueled by foreign investment. Government bond emissions mostly converted older debts, but still constituted fresh capital inflows of almost 5,000,000 pounds. Another 2,250,000 pounds went into railways and about 700,000 pounds was directed towards other sectors, such as tramways, waterworks and financial services (Diaz, 2016).

The market was joined by at least 25 other banks in these years, as well as dozens of utilities, land, investment, and other companies, with a total capital estimated at 400 million pesos (about 85 million pounds) (Acevedo, 1903: 261-63). More British banks entered the market: the British bank of Rio de Janeiro, although it remained a relatively small competitor in 1889 (Winn, 2010: 144) and the Banco de Terapacá and Argentina in 1890, as well as several domestically owned banks: the Banco Francés Supervielle in 1887, the Banco Español del Rio de la Plata (later absorbed by an Argentine bank) and the Banco Italiano in 1888, the Banco de Cobranzas, Locaciones y Anticipos in 1889 and the Banco Italo-Oriental in 1890.

The boom created demand for credit. It was argued that the old guard banks, too conservative in their business strategies, were monopolizing the country's metallic reserves in order to maintain their profits, at the cost of the rural producers, urban middle class and so called "new men" (*hombres nuevos*), who would build new enterprises if only they could access credit on easier terms. The demand for a "national" bank, with a large capital, special privileges and government support, could no longer be resisted by the conservative forces (Barrán and Nahum, 1971: 460-62). Several proposals were studied by the government, including some from the conservative sectors, which tried to limit the negative impacts of a "national" bank and restrict its ties to the state. These proposals lost out, however, to less conservative sectors, who were not necessarily opposed to the maintenance of the Gold Standard, but did hope to eliminate the traditional banks' stranglehold on credit, if necessary by expansion of paper currency beyond customary limits.

Thus, in 1887, the Banco Nacional was founded, brainchild of the Spanish entrepreneur Emilio Reus and a cadre of Anglo-Argentine capitalists (Barrán and Nahum, 1971: 464). The project was supported by industrialists, the urban middle class and owners of small and medium sized

rural landholdings (Barrán and Nahum, 1971: 453-56). The bank was to have a capital of 10 million pesos and would venture into activities which until that moment had been underserved by the banking community. It could emit paper currency up to two times its capital and was obligated to maintain a 25% specie reserve. It also would have a monopoly on the emission of small bills, with a limit of 40% of its capital. It would be divided into a commercial department and a mortgage department, the latter being able to make secured loans for up to 30 years and to emit “cedulas”, a financial instrument designed to facilitate land investments. A network of branches in every department was to be established. The Director of the bank was to be appointed by the government. In addition, the bank would run a current account for the government of up to 1.5 million pesos and handle public debt service at home and abroad (Barrán and Nahum, 1971: 465).

The purpose of this bank was to extend credit to customers that had thus far been shut out, and at rates that would promote the productive use of the country’s resources. When first efforts did not pan out, due to the cedulas circulating at only 75% of their par value, the state decided to subsidize credit, guaranteeing loans made by the bank. Nevertheless, most of the mortgage department’s resources went into urban property and the stock market, fueling rising prices and speculation, while relief for the credit starved countryside, and especially for small landholders, was limited (Barrán and Nahum, 1971: 466-67).

The traditional banks reacted apprehensively to the Banco Nacional’s entrance and expansion in the banking market. Indeed, the Comercial, whose paper currency had circulated uninterrupted for 30 years, gave up its right to emission in 1887, so as not to expose itself to what it considered the imprudence of the new bank and the risks this involved for the entire sector (Barrán and Nahum, 1971: 475). It was replaced by the Banco Italiano, founded that year, which took the Comercial’s place as a note emitting bank. The Comercial and the LRP also carried out a policy of presenting the Banco Nacional’s notes for conversion on a daily basis,⁷ forcing the bank to maintain a sufficient specie reserve and limiting their exposure in case disaster struck (Barrán and Nahum, 1971: 474).⁸

The boom of the late 1880s (referred to locally as the *Boom de Reus*, after the founder of the Banco Nacional) turned to bust towards the end of 1889. The stock market collapsed, in part due to knock on effects from the crisis in Argentina that same year. The Baring Bank, which handled the Uruguayan government’s debt emissions abroad, found itself unable to unload over 3 million pounds worth of public debt, railway bonds and shares in the Banco Nacional (Winn, 2010: 179, footnote 740). The imminent collapse was staved off for a few month by an advance of 500,000 pounds to Nacional by Baring, which simultaneously launched a 2 million-pound offering of Uruguayan bonds on the London market, which was rejected.

In July of 1890, the overextended Nacional was not able to convert 400,000 pesos presented by the LRP, and the bank suspended convertibility (Bertino and Millot, 1996: 448). The government reacted by trying to salvage the bank, seeking cooperation from Baring and more

⁷ This, despite the government’s request for a pact to only convert bills once a week (Barrán and Nahum, 1971: 475).

⁸ Barrán and Nahúm suggest that this strategy was designed to bring down the Banco Nacional. However, this could have been merely a defensive strategy, so as not to be left holding inconvertible bills when the bank inevitably collapsed.

loans. Help was offered, but in exchange for foreign control of the Banco Nacional, a price too high for the Uruguayan government (Winn, 2010: 188-89). A glimmer of hope appeared in July of 1891, when the Nacional resumed payments in gold, but in October the English Bank of the River Plate, which had been heavily invested in Uruguayan stocks and unable to sell off assets in a collapsing market, suspended gold payments, and the Nacional followed suit again soon after (Winn, 2010: 194). As a result of the crisis, the government was forced to suspend debt service in the second semester of 1891 (Bertino and Millot, 1996: 414).

In 1892 a deal was reached in which a 20-million-pound loan would be made available to refinance the Uruguayan government's debts, reducing the rate paid to 3.5% (down from rates of 6% in nominal terms, or around 8% if discounts on the initial sale of bonds are taken into account). Railway guarantees, originally set at 7%, were also reduced to 3.5%, thus reducing the annual debt repayment burden of the Uruguayan state. With this deal, the government was able to resume debt payments, which had been suspended in 1890 (Nahum, 1991: 41-43).

The English Bank of the River Plate was liquidated in 1893. As for the Banco Nacional, it was finally liquidated in 1894, with the state taking on its obligations and assets (Winn, 2010: 199). The only part that remained in operation was the Mortgage Department, which was spun off into a stand-alone mortgage bank in 1892. This bank had serious difficulties in the early years, due to the weight of bad debts on its books and the depressed property market, but by the early 20th century was making about 20% of mortgage loans in the country, over half in rural areas (Bertino and Millot, 1996: 452-53).

The only currency emitting banks to make it through the crisis were the LRP, the Banco Italiano, the Banco de España and Rio de la Plata (founded in 1887, during the boom years)⁹. The Comercial, which had given up its role as a currency emitting bank, still offered other banking services, such as deposits, short term loans and discounting of commercial bills. Of these banks, the LRP quickly became the most important, occupying the vacuum left by the Nacional and English Bank of the River Plate (Joslin, 1965: 137). A return to the conservative banking strategies of the late 1870s and early 1880s meant a restricted money supply and limited credit.

This situation could not last long. Credit dried up in the countryside, pushing down land prices. Furthermore, Argentina's Baring Crisis in 1890 had caused that country to devalue. Competing in international markets with Argentina's livestock sector, which received payments in gold but paid costs in depreciated currency, helped push the attitude of Uruguayan landowners in favor of a more flexible monetary system (Barrán and Nahum, 1971: 523; Barrán and Nahum, 1987: 86-87).¹⁰

⁹ This bank was founded by Spanish immigrants, and was purchased by an Argentine bank, the Bank of Spain and the River Plate, also of Spanish immigrant origin, in 1904. Balance sheet data is available for this bank from 1887 to 1904, so it is treated as a domestic bank for in the analysis in section 5.

¹⁰ This was part of the reason that Argentina already had refrigerated meat packing plants in the 1880s, while in Uruguay the first one began operated, on a small scale, in 1905, and the industry did not really get going until the early 1910s (Bertino and Millot, 1996: 181-84). They were more profitable in Argentina due to its depreciated currency.

Thus, in 1896, was born a new experiment in national banking: the Banco de la República (BROU). It shared some similarities with the Banco Nacional: it would operate as the state's bank, handling the government's accounts and debt payments and operating a current account for the government of up to 5 million pesos. However, it was to be a mixed bank, with half of the initial capital of 10 million pesos to be paid by the government, while the other half was to be raised through the sale of shares to private investors. It could emit paper currency up to twice its capital. However, once the charters of the LRP and the Banco Italiano expired, they would not be renewed as emissions banks, and the BROU would have a monopoly on paper currency emissions. The restrictions on emissions were somewhat tighter than they had been for the Banco Nacional; a specie reserve of 40% of bills in circulation plus deposits was to be kept at all times.¹¹ Furthermore, it was prohibited from investing in company shares or in speculative activities. The board of directors was to be made up of a President, appointed by the government, and six members, also appointed by the government until the private shares were sold, at which time only two would be government appointees, while the rest elected by the shareholders.

The problem of capitalizing the bank was solved by floating an international bond in 1896. This was Uruguay's first return to the international capital market since the default in 1891-92. However, local investors were skeptical about the venture, and never purchased the shares which were to make up the other half of the bank's capital. This meant that, in effect, the BROU was a state-owned bank, and in 1911 the bank's charter was changed to institutionalize this fact, eliminating the possibility of private investment and increasing the bank's capital through reinvestment of profits and through state funds (BROU, 1917: 93).

The LRP emissions charter ran out in 1904, while that of the Banco Italiano expired in 1907. After this date, the BROU became the sole bank of paper currency emission in the country (and would remain so until this duty was transferred to the Banco Central del Uruguay, founded in 1967). From the time of the BROU's founding up to 1913, it grew in importance as a commercial bank, extending credit to the countryside and to the middle classes.

In the year of the BROU's founding, aside from the other emissions banks, -the LRP and the Banco Italiano-, the Comercial, the Banco España y el Río de la Plata, the Banco Inglés de Río de Janeiro (later changed to the British and South American Bank), the London and Brazil and the Anglo-Argentine (later changed to Anglo-South American) also operated in the country. In the early years of the 20th century the Banco Popular, the Banco de Crédito and the Caja Obrera joined the banking market (Bertino and Millot, 1996: 454, 457).

Section 3: Bank capital in Uruguay, 1857-1913

This section presents information on bank capital for the entire banking sector from 1857 to 1913. Data has been collected for almost every bank that operated during the period.¹² The

¹¹ Minimum reserves were not required for private banks until 1938 (Díaz and Moreira, 2015).

¹² The historiography mentions several banks for which information on capital was not found. Five of these were opened in the 1870s: the Banco Unión in 1871 (BCU), the Banco Alemán-Belga, the Banco Mercantil del Río de la Plata and the Banco Herrera, Eastman and Cia. in 1872 (Acevedo, 1933b: 671; BCU) and the Banco Villaamil & Cia. in 1876 (BCU). These likely closed during the 1875 crisis or its aftermath. Another important

series cover the entire period, from the founding of the first banks up until the end of the period under study, and allow us to discriminate between domestic and foreign capital. Bank capital is an indicator of the size of the banking sector, and is loosely related to more directly economically relevant variables such as currency in circulation, deposits and credit. In Uruguay, for most of the period, currency emissions by private banks were limited to three times their capital. Market participants may also be wary of holding bills or placing deposits with banks that do not have minimum levels of capital. Thus, the amount of capital invested may set a limit, either through government regulation or via the market, on the size of other monetary variables.

In addition, information on bank capital is more readily available than for other variables. Initial authorized capital is usually declared in founding statutes of banks and in the laws permitting their establishment. Initial bank capital and later increases can also be found in the financial press, such as the Investor's Monthly Manual and local newspapers. The fact that bank capital is modified (usually increased) only occasionally means relatively accurate estimates can be elaborated from a few data points.

Figure 1 summarizes the number of banks operating in each year for which capital information is available. These range from 2 in 1857, rising to 9 before the 1968 crisis. The number of banks drops back down to 2 in the late 1870s, but rises to 12 by 1890, at the height of the Boom de Reus. In the first decade of the 20th century the number of banks begins rising again, reaching 19 by 1913.

Figure 1: Number of banks in operation, 1857-1913

| Year | Number of banks | Year | Number of banks | Year | Number of banks |
|------|-----------------|------|-----------------|------|-----------------|
| 1857 | 2 | 1877 | 2 | 1893 | 10 |
| 1858 | 3 | 1878 | 2 | 1894 | 10 |
| 1859 | 3 | 1879 | 2 | 1895 | 10 |
| 1860 | 3 | 1880 | 3 | 1896 | 10 |
| 1861 | 3 | 1881 | 3 | 1897 | 11 |
| 1862 | 4 | 1882 | 3 | 1898 | 11 |
| 1863 | 4 | 1883 | 3 | 1899 | 11 |
| 1864 | 5 | 1884 | 3 | 1900 | 11 |
| 1865 | 7 | 1885 | 4 | 1901 | 11 |
| 1866 | 9 | 1886 | 4 | 1902 | 11 |
| 1867 | 9 | 1887 | 6 | 1903 | 12 |
| 1868 | 9 | 1888 | 8 | 1904 | 13 |

institution is the Junta de Crédito Público, created in 1870 to withdraw the depreciated currency from problem banks (mostly the Banco Mauá) emitted before and during the 1868 crisis. It was state run and did not have its own capital, but acted as an emissions bank. It was dissolved in 1875.

A multitude of banks were opened during the boom years in the late 1880s. At least 20 banks were registered between 1887 and 1889 (USY), although it is not known if many of them were ever put into operation, and many were likely speculative ventures with inflated capital figures.

The Anglo-Argentine bank, of British origin, opened a branch in Montevideo in 1889, which was purchased by the Bank of Terapacá and Argentina in 1900.

The Banco Territorial, of local origin, and the Banco Francés del Río de la Plata, of French origin, both opened their doors in 1912.

| | | | | | |
|------|---|------|----|------|----|
| 1869 | 5 | 1889 | 10 | 1905 | 14 |
| 1870 | 5 | 1890 | 12 | 1906 | 15 |
| 1871 | 6 | 1891 | 12 | 1907 | 15 |
| 1872 | 6 | 1892 | 10 | 1908 | 17 |
| 1873 | 5 | 1893 | 10 | 1909 | 17 |
| 1874 | 4 | 1894 | 10 | 1910 | 18 |
| 1875 | 4 | 1895 | 10 | 1911 | 18 |
| 1876 | 3 | 1896 | 10 | 1912 | 18 |
| | | | | 1913 | 19 |

Sources: See notes for figures A, B and C in appendix 1.

Note: Banks that are known to have existed but for which capital figures are not available (see footnote 12) have not been included in this chart.

Figures A, B and C in appendix 1 present the data on capital for each bank, the total capital invested in the sector and the number of banks operating in each year. The figures also record the date each bank commenced operations and the date it closed its doors to the public (in the cases this occurred before 1914). Figure A covers the years 1857, when the first two banks, the Mauá and the Banco Comercial, were founded, to 1876, when the Mauá was finally liquidated in the aftermath of the 1875 crisis. Figure B covers the years 1877 to 1896, the years in which the country operated a free banking system, with no central bank, under the Gold Standard. Figure C covers the years 1897 to 1913, after the Banco de la República was founded and gradually acquired central banking powers.

Capital amounts have been provided for each bank that operated during period. Several different sources have been used. For the period before 1876, Devoto (1976) and Acevedo (1933a) have capital amounts for several bank for some years, as does Joslin (1963) for the LRB. Since bank capital was modified only occasionally, these figures have, in general, been extrapolated forward until the next figure is available. For later years, capital amounts have been drawn from individual bank balance sheets, many times published in the Uruguayan Statistical Yearbooks or in Annual Company Reports. There were several branches of foreign banks established in Uruguay during the 1880s and in the early 20th century. For these, capital amounts have been many times been drawn from Joslin (1963), and Winn (2010), and extrapolated using data on the capital of the mother companies from the Investor's Monthly Manual. Another source is the works of Jacob (1992; 1993, 1994, 1996 and 2000), some of which provide data from the 1920, which has been extrapolated backwards, when contemporary data is not available. Details on the sources for capital for each bank are provided in an appendix to figures 2A, 2B and 2C

Figure 2 shows total capital for the banking sector, discriminated by origin,-foreign or domestic-, in constant prices of 1913.¹³ Figure 3 shows the composition of bank capital, -foreign or domestic-, as a percentage of the total capital of the sector.

¹³ The GDP deflator from Bertola (1999) has been used from 1870 to 1913. For earlier years, the level of the deflator in 1870 has been extrapolated backwards.

Figure 2: Total bank capital, foreign and domestic, 1857-1913

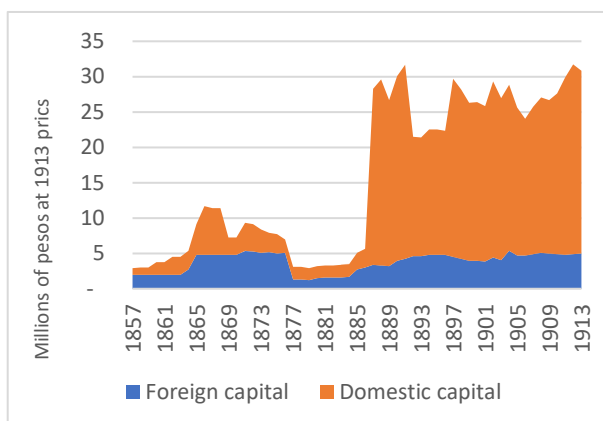
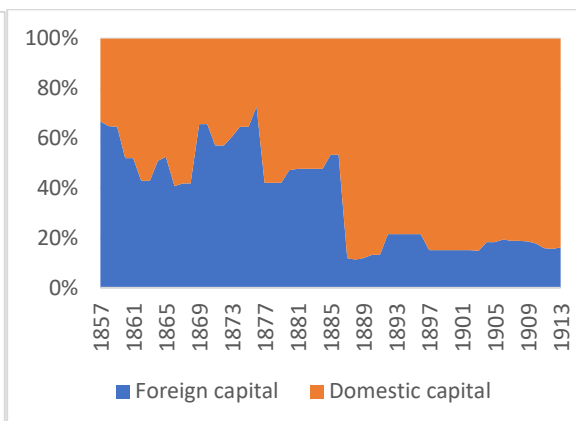


Figure 3: Composition of bank capital, foreign and domestic, 1857-1913



Sources: see notes for figures 2A, 2B and 2C.

Foreign capital generally fluctuated between 1.5 million and 5 million pesos. Domestic capital varied between less than 1 million pesos in the late 1870s and early 1880s to over 25 million pesos in the early 20th century. As a percentage of total banking sector capital, foreign capital was predominant in the “Mauá” period, reaching just over 80% in 1876, due to the collapse of several local banks in the late 1860s. The 1880s saw the founding of several banks, foreign and domestic, but the latter far outweighed the former in terms of capital invested. In these boom years, almost half of domestic bank capital was from the Banco Nacional. Even after the collapse of this bank, domestic capital predominated, with over 80% of the banking sector in financed locally.

Section 4: Money and credit in Uruguay, 1859-1913

This section presents aggregate time series in regard to money and credit created by the entire banking sector from 1859 to 1913. Specifically, series for specie reserves in banks, currency in circulation, deposits and credit are presented.

For 1871 to 1874, Acevedo (1933b) presents totals for reserves, currency, deposits and credit from December of each year. For 1883 to 1891, similar figures are available from Acevedo (1934a and 1934b). From 1892 to 1913, the data presented are the sums from the balances of banks in operation in each year (the ones for which data is available), taken from the Uruguayan Statistical Yearbooks (USY). These are: the LRP, the Comercial, the Banco Italiano, the Banco de España del Río de la Plata, The English Bank of the River Plate and the Banco popular and the Banco Italo-Oriental.¹⁴ Figures for the BROU have been taken from BROU (1917). Data is missing for the Comercial from 1887 to 1904, for the Banco Italiano from 1904 to 1907, for the Banco de España y Rio de la Plata from 1893 to 1897. For these banks series have been arithmetically interpolated for those years. Data is missing for the LRP and for the

¹⁴ The Banco Nacional was liquidated in 1892, but its balances show small, dwindling sums of gold reserves until 1898. These have been added to the total specie reserves series.

Banco de España after 1904, so the 1904 levels are assumed to hold for the remainder of the period.^{15 16}

The sources available for specie reserves in banks in general do not distinguish between gold, silver and other metals. We know that the major part of reserves was gold, as silver and other metals were limited by law in use for payments, and the convertibility requirements for banks were specified in gold, and not in other metals. An 1892 law allowed silver coins to be minted, in part to mitigate the shortage of small denomination currency after the 1890 crisis. After 1907, when the BROU had a monopoly on currency emission, part of its specie reserve was held in silver, but this rarely reached over 10% of its total reserves.

Another problem is that in some cases bank balances don't distinguish between metallic reserves and paper currency from other banks (they simply refer to the *"encaje"* or *"caja"*). In the cases in which they do, only metallic reserves are counted. When the distinction is made, the holdings of paper currency from other banks is very small. For example, the LRB reports their holdings of notes from other banks from 1898 to 1904, but these never amount to more than 2% of their total reserves (USY). This suggests that the error that may arise from the banks that don't make this distinction is small.

The series for currency in circulation is taken from the line in bank balances referred to as *"emision"* or *"billetes emitidos"*.

For deposits, the aggregate data presented by Acevedo (1933b and 1934a) under the category *"acreedores"* is used. For the post-1892 period, where individual bank balances are used, the information is not homogenous. Some banks refer to *"acreedores"*, while others to *"cuentas corrientes"*, *"depósitos"* of various types, *"fijos"*, *"a plazo"*-, and *"cajas de ahorro"*. The sum of all these are used for the deposits series.

For credit, the aggregate data presented by Acevedo (1933 and 1934) under the category *"deudores"* is used. From 1892 to 1913, the categories *"varios deudores"*, *"valores a cobrar"*, *"valores descontados"* and *"cuentas corrientes deudoras"* are used.

¹⁵ The interpolation and extrapolation of data possibly introduces serious biases into the series. These could be particularly important in the cases of the Comercial and the LRP, which were major players in the banking sector throughout the period. An alternative method of filling in the data would be to move the missing years of the Comercial using the variations in the corresponding series of the LRP, and vice versa. Doing this assumes both banks behaved identically in terms of the accumulation of reserves, deposits and credit creation, which is not believable, and also does not greatly affect the overall results presented in section 4 and 5.

¹⁶ Román and Willebald present continuous series for specie reserves and deposits from 1870 to 1913, relying in large part on the same sources used here. They fill in gaps in the specie reserves with data from other sources, as well as arithmetic interpolations for some years. For deposits, they arithmetically interpolate the years 1870 and 1875 to 1882, and for 1903 to 1911 use the variations in the deposits of the BROU to estimate those for the entire sector. They use these series to calculate a Contract Intensive Money indicator.

Figure 4: specie reserves and currency in circulation (at 1913 prices), 1871-1913

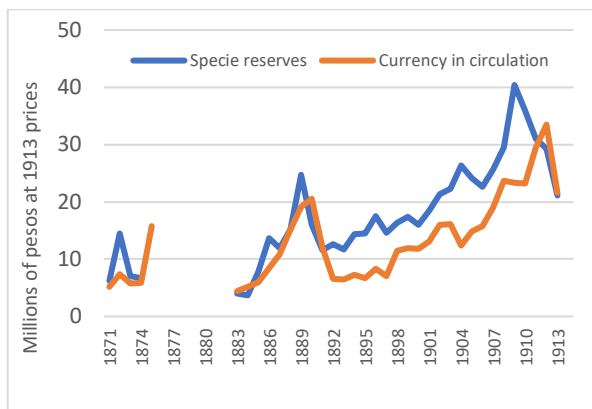


Figure 5: specie reserves and currency in circulation as a percent of GDP, 1871-1913

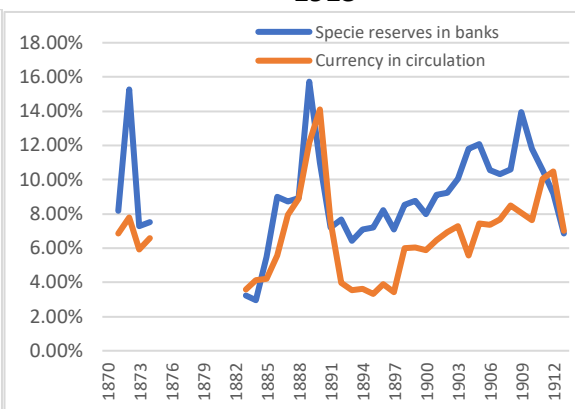


Figure 4 shows specie reserves in banks and currency in circulation, annually, from 1871 to 1913. The series are shown at prices of 1913. Specie reserves were at the same level in the mid 1880s as they had been in the early 1870s. The fact that the late 1870s and early 1880s were ones of slow recovery from the 1875 crisis indicate that reserves remained low during this gap in the data. Specie reserves began rising after 1884, peaking at almost 25 million pesos in 1890 (5.3 million pounds). They fell by about 60% after 1890 crisis. During the 1880s, currency in circulation rose along with specie reserves, and collapsed, by about 80%, soon after reserves began to decline. After 1893, reserves slowly begin to climb. However, currency emission stayed relatively stagnant until after 1896, the year the BROU was founded. Currency dropped in 1904, the year that the LRP emission charter expires.

Figure 5 shows the same data, but in relation to GDP. Specie reserves in banks reached a peak of over 15% of GDP in 1872 and again in 1889. After the crisis reserves fell to about 8% of GDP, and slowly climbing over the next decade, although never reaching earlier levels.

Figure 6: Currency in circulation, total liabilities and credit (at 1913 prices), 1871-1913

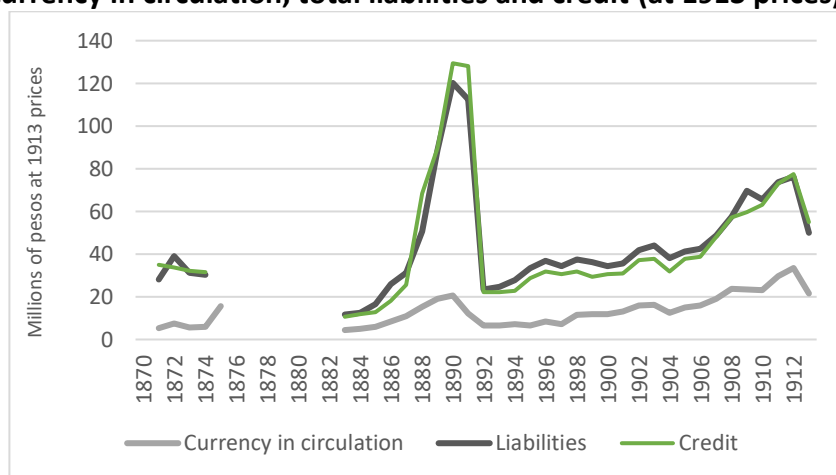
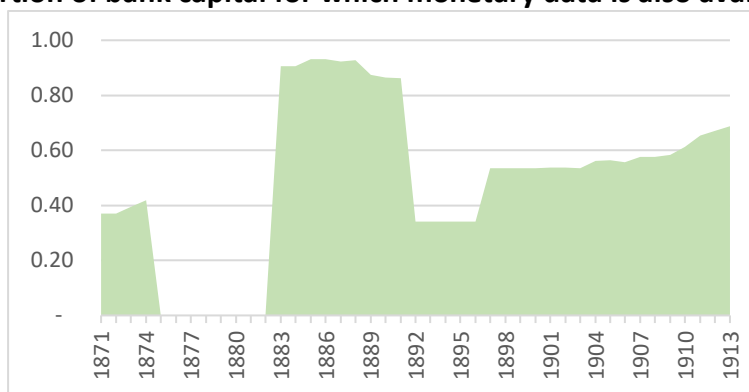


Figure 6 shows currency in circulation, as in figure 4, as well as the total liabilities of the banking sector, the sum of currency and deposits, at 1913 prices. Both show similar trajectories, although deposits rise much more sharply during the late 1880s, multiplying by a factor of 10 from 1885 to their peak in 1890. After the crisis, they rise in conformity with

currency emissions, but at a slightly faster rate. Figure 6 also shows total bank credit, which roughly tracks total bank liabilities.

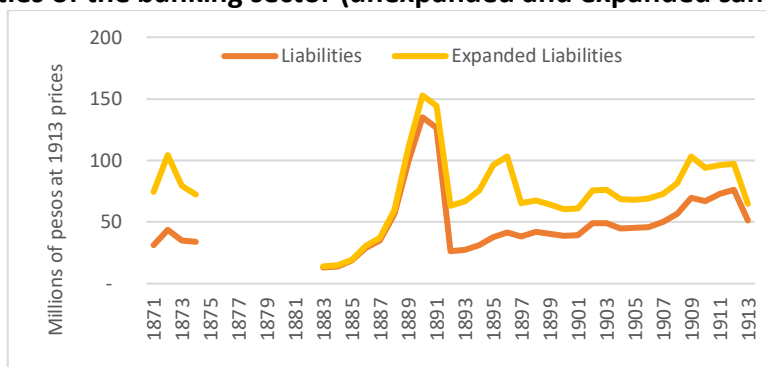
As mentioned above, the time series presented in this section are derived from a limited set of banks, albeit the most important ones operating in the sector. Figure 7 shows the capital of this set of banks (the main sample) as a proportion of the total capital of the banking sector in each year estimated in section 3 (expanded sample). As can be seen, the set of banks for which monetary data is available represented only a portion of the capital of the sector; about 40% in the early 1870s, around 90% in the late 1880s, 34% from 1892 to 1896, then remaining not far above 50% until 1913.

Figure 7: Proportion of bank capital for which monetary data is also available, 1871-1913



If the banks not in the main sample held deposits, on average, in the same proportion to their capital as those in the main sample, then we could estimate the actual liabilities of the banking sector by expanding the figures for deposits in each year in accordance with total bank sector capital (this can also be done for the other monetary aggregates). This is not the case for currency in circulation, as all currency emitting banks are in the main sample. Adding the expanded deposits series to the original currency in circulation gives us an expanded liabilities series. The unexpanded and expanded liabilities series are shown in figure 8.

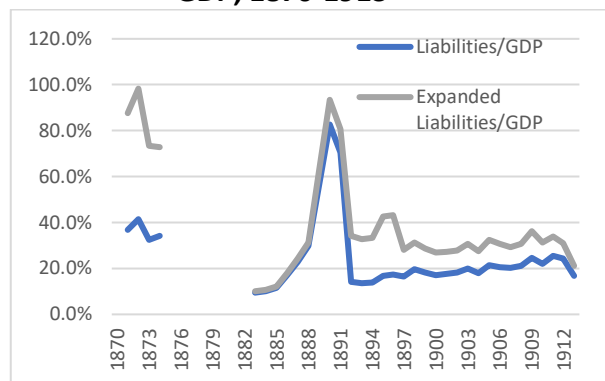
Figure 8: Liabilities of the banking sector (unexpanded and expanded samples), 1871-1913



The assumption that banks not in the main sample held deposits in the same proportion as those in the main sample is likely too strong. These tended to be smaller banks, and may not have had as much success in capturing deposits. Thus, the expanded liabilities series should be considered an upper bound, while the unexpanded series is effectively a lower bound.

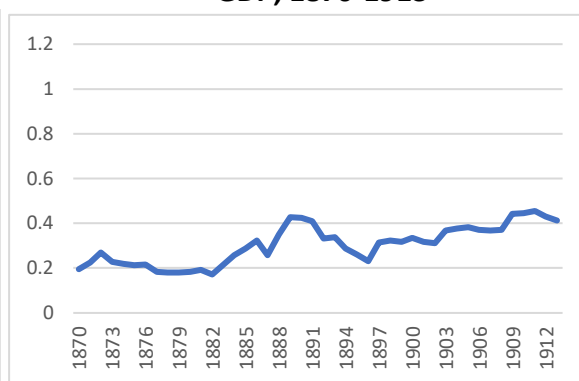
Figure 9 shows the unexpanded and expanded liabilities as a percent of GDP. Figure 10 shows the liabilities of the Argentine banking system as a percent of that country's GDP for the same period.

Figure 9: Uruguay - Liabilities as a % of GDP, 1870-1913



Source: Own estimation, see text. GDP from Bértola (1999)

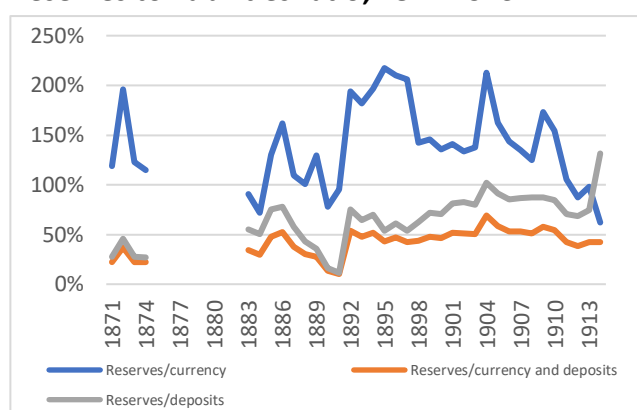
Figure 10: Argentina - Liabilities as a % of GDP, 1870-1913



Source: Ferreres (2013) [total currency in circulation plus total deposits, divided by GDP].

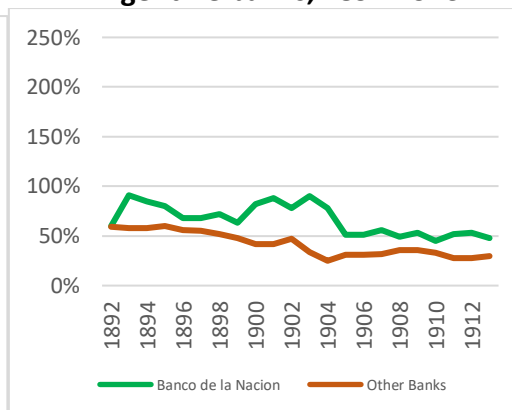
Several facts are revealed by the figures. First, liabilities as a percent of GDP were much more volatile in Uruguay, no matter which series, the unexpanded or expanded, is used. Second, by the last years of the 19th century, Argentine bank liabilities begin rising steadily, reaching over 40% by 1910. In Uruguay, they remain stable during the same period, likely somewhere between 20% and 30%. In this sense, financial development was more advanced in Argentina, even under that country's Gold Standard, than in Uruguay.

Figure 11: reserves to currency ratio and reserves to liabilities ratio, 1871-1913



Source: Acevedo (1933, 1934) and USY

Figure 12: specie reserves to deposits in Argentine banks, 1892-1913



Source: Della Paolera and Taylor (2001: 40)

Figure 11 shows three ratios: specie reserves to currency, specie reserves to deposits and specie reserves to total liabilities for the banking sector. The first series shows that reserves were kept at about 100% of currency in circulation in the late 1880s but rose to about 200% after the 1890 crisis. This ratio fell gradually, and by 1913 was well below earlier levels, reaching a little over 50%. For deposits, the ratio is lower, hovering around 50% in the 1870s and 1880s, and creeping up towards 100% in the 20th century. For total liabilities, the ratio is slightly lower, and remained relatively stable at around 50% in the post crisis decades.

An important point is that in the 1880s the expansion of deposits in relation to reserves was much more dramatic than the expansion of currency emissions. From 1886 to 1890, the ratio of reserves to currency fell by about half, while the ratio of reserves to deposits fell by 85%. This fact has been somewhat overlooked by the historiography regarding the Boom de Reus, which highlights the expansion of currency emissions and the inability of the Banco Nacional to convert its bills, but does not much discuss the massive expansion of other bank liabilities.

We can compare what occurred in Uruguay to the reserve to deposit ratio of Argentina, shown in figure 12. After the Baring crisis of 1890, Argentina centralized paper currency emissions in the Caja de Conversión. Thus, banks' liabilities consisted only of deposits. This ratio fluctuated between 50% and near 100% in the 1890s and early 1900s for the Banco de la Nación, later remaining stable at 50%. For private banks, the ratio fell from slightly above 50% in the 1890s to around 30% in the ten years up to 1913. From the 1890s to 1913, Uruguayan banks appear to have been more conservative than Argentine banks, especially in the private sector, in the creation of deposits, even after Argentina rejoined the Gold Standard in 1900.

Section 5: Foreign and domestic banking in Uruguay, 1885 to 1913

Data for the construction of relatively continuous series for individual banks begin in the mid 1880s. This section examines the relative weight of different banks operating in Uruguay from 1885 to 1913 and identifies which were conservative in their money and credit creation, and which were more expansionary. Data is not available for all banks operating in each year, but in general the most important banks operating in each year are included in the sample.

Figure 13 shows the weight of each bank in total specie reserve holdings from 1885 to 1913. The Comercial and the LRP were the only emissions banks in 1885, and held all reserves, almost evenly split between them. The new banks that opened during the boom years at the end of the decade accumulated about half of the sector's reserves. After the crisis, and the collapse of the Banco Nacional and the English Bank of the River Plate, the LRP was left with over 60% of the reserves of the banking sector. The Comercial slowly lost its share of reserves. After 1896, the BROU rapidly increased its share of specie reserves, coming to hold over 50% by the end of the period.

A similar pattern can be seen with currency in circulation, as shown in figure 14. The Comercial and the LRP split the total in 1885, but the new banks gained market share during the 1887-1889 boom. The Comercial gave up its right to currency emission in 1887, and was replaced by the Banco Italiano. After the crisis, about 80% of notes in circulation were from the LRP. After 1896, the LRP lost share to the BROU, and eventually stopped circulating bills after its charter ran out in 1904. The same thing happened with the Banco Italiano, in 1907, although a dwindling number of bills from this bank continued circulating until the end of the period.

Figure 13: composition of specie reserve holdings by bank, 1885-1913

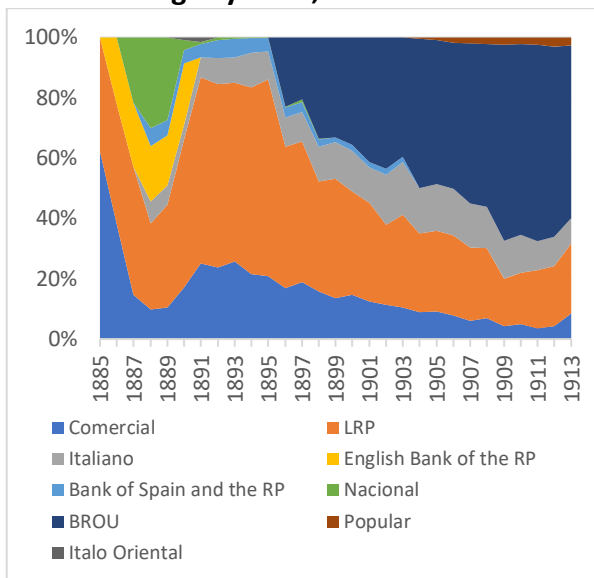
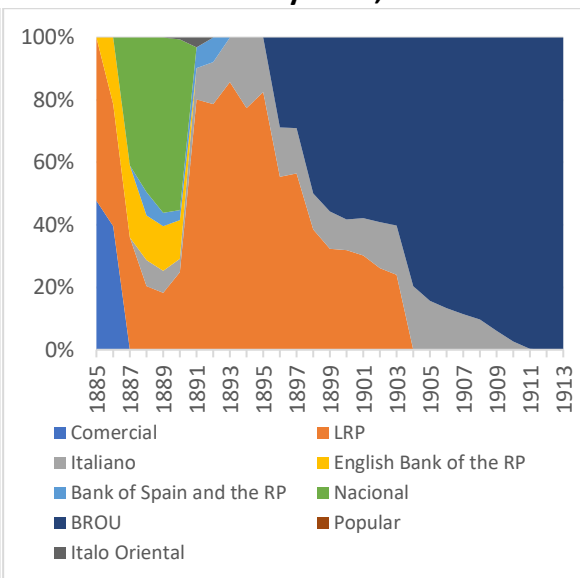


Figure 14: composition of currency in circulation by bank, 1885-1913



Figures 15 and 16 show the composition of the market for deposits and credit. They both show a similar evolution to that of specie reserves in figure 10. The main difference is the greater weight of the English Bank of the River Plate and the Banco Italo-Oriental during the 1880s boom years, and reduced role of the Banco Nacional.¹⁷ After the crisis, the market for both deposits and credit was dominated by the LRP, with the Comercial in second place. Both later lost ground to the BROU, as with reserves and currency in circulation. The difference here is the increasing weight of the Banco Italiano, especially in deposits, as well as the Banco Popular, after its founding in 1904.

Figure 12: composition of deposits by bank, 1885-1913

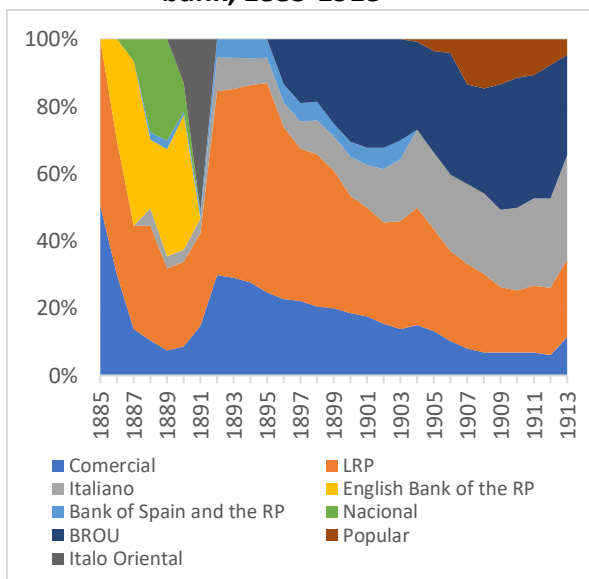
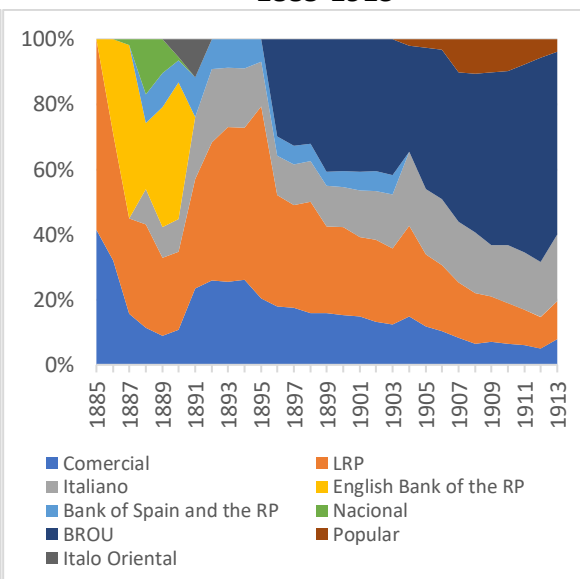


Figure 13: composition of credit by bank, 1885-1913



¹⁷ The government's deposits at the Banco Nacional are not taken into account. In addition, for this bank, only commercial credit has been considered, and not the mortgages, cédulas and loans to the government, which are difficult to discern from the bank's balance sheets.

We can try to rate banks as either more conservative or more expansionary by looking at the ratio of reserves to currency in circulation and reserves to total liabilities (currency plus deposits). Figure 17 shows the average over the period of this first ratio for each bank. The foreign owned banks are in shaded cells, while the domestically owned banks are left in unshaded cells. The full series of this ratio for each bank is shown in the appendix.

Figure 17: reserve to currency ratio by bank, average for 1885-1913

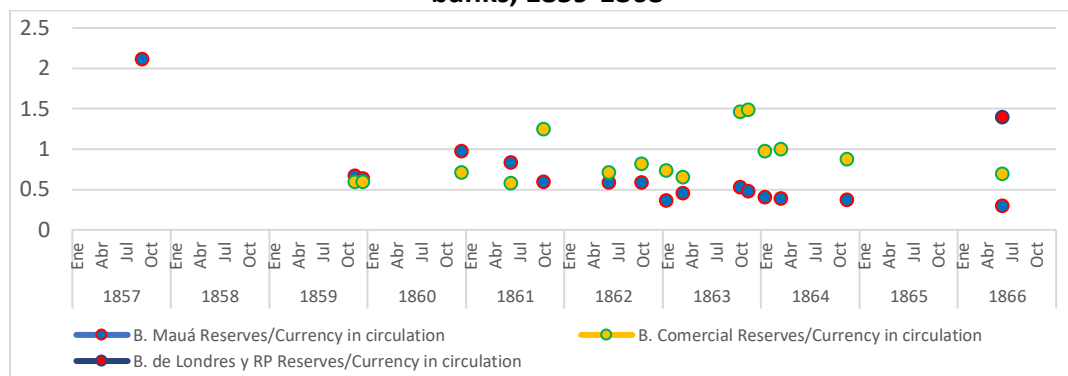
| Bank | Reserves/Currency in circulation |
|----------------|----------------------------------|
| Italo Oriental | 171% |
| LRP | 161% |
| ERP | 145% |
| SRP | 145% |
| Comercial | 144% |
| Italiano | 139% |
| BROU | 94% |
| Nacional | 51% |

The Banco Italo-Oriental had the highest reserve to currency ratio, but this bank was only in existence for two years at the peak of the 1880s boom and didn't emit much currency. The foreign owned LRP is in second place, with reserves at 161% of currency on average. This confirms its position as a stalwart of conservative banking, as suggested in the literature (Joslin, 1965; Acevedo, 1934; Barrán and Nahum, 1971 and 1978). The next highest are the English Bank of the River Plate, foreign owned as well. The Banco de España y el Río de la Plata has the same reserve ratio as the English Bank of the River Plate. The Banco Comercial follows closely behind these two, verifying its conservative nature as discussed in the literature (Acevedo, 1903; Comercial, 1957; Barrán and Nahum, 1971: 444-52). The Banco Italiano also had higher specie reserves than currency in circulation. The only two banks whose ratio is lower than 100% are the BROU and the Nacional. The BROU, with 95%, was less restrained than the other banks; this was in part because after 1907 it had a monopoly on emissions, and thus was responsible for providing currency for the whole country. The growth of the economy of the early 20th century (real GDP rose by 50% from 1900 to 1913), while avoiding major banking catastrophes and remaining on the Gold Standard, suggests that the bank was able to walk the fine line between providing sufficient currency and maintaining external stability. The Nacional, with a ratio of 51%, had very low reserves compared to the rest of the sample, revealing the expansionary nature of its short-lived period of operation. The reserve to currency ratios suggest that the foreign owned banks in general were more conservative in their approach to currency emission than the domestically owned banks.

There are figures for specie reserves in banks and currency in circulation available for an earlier period, from 1859 to 1868. These are available for several months each year. Figure 18 shows the reserve to currency ratio for the three main banks that operated during this period: the Mauá, the Comercial and the LRP. Beginning in the early 1860s, the Mauá bank consistently maintained a lower ratio of reserves to currency emissions. This ratio fell gradually over the course of the decade, dropping below 0.1 on the eve of the 1868 crisis. The

Comercial maintained reserve ratios above 0.5, as did the LRP, which began emitting paper currency in 1865.

Figure 18: reserves to currency ratio for the Mauá, Comercial and London and River Plate banks, 1859-1868



Source: Acevedo (1903)

The average reserve to currency ratio for this period was 88% (the average of figures for available months). If we segregate out the data for only the foreign owned Mauá bank, the reserve ratio is only 52%, implying that, at least for this earlier period, the conservative nature of foreign banks is not so clear cut.

Figure 19: reserve to liabilities ratio by bank, average for 1885-1913

| Bank | Reserves/Liabilities |
|----------------|----------------------|
| Comercial | 54% |
| BROU | 51% |
| LRP | 48% |
| SRP | 43% |
| Italiano | 42% |
| Nacional | 28% |
| ERP | 25% |
| Popular | 23% |
| Italo Oriental | 1% |

The picture changes even more when we examine reserves as a percent of total liabilities (currency in circulation plus deposits), as in figure 19. Here, the Comercial comes in first place, confirming once again its conservative nature. However, the BROU follows closely behind, with reserves at 51% of liabilities (well above the 40% required by its charter).¹⁸ The LRB had as a reserve ratio of 48%. The Banco de España y el Rio de la Plata and the Banco Italiano follow closely behind with reserve ratios in the 40% range. Far behind, with reserve ratios below 30%, are the Nacional and the English Bank of the River Plate, the two that the literature identifies as the most expansionary banks during the boom years and the main problem banks during the 1890 crisis (Acevedo, 1934; Winn, 2010). The Banco Italo-Oriental, another of the Boom de Reus banks, had minimal reserves compared to its enormous

¹⁸ In the last few years of the period, the BROU did expand its liabilities slightly beyond the limit allowed by its charter, the reserve ratio dipping to 37% in 1912.

expansion of deposits in the two years during which it operated, putting its ratio at 1%. The Banco Popular, which never emitted currency, had a low reserve ratio compared to deposits (23%), this likely has to do with the fact that it operated in the post free-banking era, when the BROU had monopoly on currency emissions, and private banks did not have to maintain reserves for converting bills.

Concluding remarks

This paper presents data on the Uruguayan banking sector from 1857 to 1913. Specifically, bank capital, in aggregate and for each bank operating in the sector, is presented for those years. Specie reserves in banks, currency in circulation, deposits and credit for the Uruguayan banking sector are presented from 1871 to 1913 for the main banks operating in those years. These are broken down by individual bank from 1885 to 1913.

The capital figures show the dominance of foreign owned banks until the mid 1880s. In the second half of that decade, there was a large rise in bank capital, mostly domestic in origin, which dwarfed foreign capital in the banking sector.

The monetary series presented reveal, after the tumultuous 1860s and 1870s, a period of relatively tight monetary conditions, in relation to GDP, at least in the and mid 1880s. This gives way to large rises in currency in circulation, deposits and credit during the Boom de Reus, which ended in the 1890 crisis. The 1890s are a decade of return to tighter money and credit. This situation slowly eases, especially after the founding of the BROU in 1896. However, by the end of the period, liabilities as a percent of GDP remain much lower in Uruguay than in Argentina, suggesting that the former was less financially developed.

These cycles are reflected in the analysis of the composition of the totals for different indicators by bank, with periods of tighter money and credit being dominated by the old guard banks, the Comercial and the LRP, while in the boom periods new banks appear and expand.

The analysis of the specie reserve to currency ratio paints a picture of foreign banks being in general more conservative than the local banks. However, in the image that arises from examining the reserves to total liabilities ratio, the foreign vs. local ownership division is less clear cut. There are foreign banks at both the conservative and expansionary ends of the spectrum. The BROU appears to be more expansionary in terms of currency emission, but less so when deposits are taken into account. This makes sense, as after 1907 it became the sole currency emitter and other banks transformed into depository institutions. This highlights the importance of looking at total bank liabilities and not just currency in circulation to explain the experience of Uruguay under the Gold Standard.

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Appendix, Figure A: Bank capital in thousands of pesos at current prices, 1857-1876 (The “Mauá period”)

| Year | Banco Mauá | Banco Comercial ^a | Banco Comercial de Salto | Banco Comercial de Paysandú ^b | London and River Plate Bank | Banco Comercial de Minas ^c | Banco Montevideano | Banco Navía y Cia. | Banco Italiano | Banco Oriental | Banco Franco-Platense | Total capital | Number of banks |
|---|----------------------------|--------------------------------|----------------------------|--|--------------------------------|---------------------------------------|----------------------------|----------------------------|----------------|--|-----------------------|---------------|-----------------|
| 1857 | 1200 | 600 | | | | | | | | | | 1800 | 2 |
| 1858 | 1200 | 600 | 50 | | | | | | | | | 1850 | 3 |
| 1859 | 1200 | 600 | 60 | | | | | | | | | 1860 | 3 |
| 1860 | 1200 | 600 | 500 | | | | | | | | | 2300 | 3 |
| 1861 | 1200 | 600 | 500 | | | | | | | | | 2300 | 3 |
| 1862 | 1200 | 600 | 500 | 500 | | | | | | | | 2800 | 4 |
| 1863 | 1200 | 600 | 500 | 500 | | | | | | | | 2800 | 4 |
| 1864 | 1200 | 600 | 500 | 500 | 470 | | | | | | | 3270 | 5 |
| 1865 | 2000 | 600 | 500 | 500 | 940 | 50 | 1000 | | | | | 5590 | 7 |
| 1866 | 2000 | 600 | 500 | 500 | 940 | 50 | 1000 | 600 | 1000 | | | 7190 | 9 |
| 1867 | 2000 | 600 | 500 | | 940 | 50 | 1000 | 600 | 1000 | 338 | | 7028 | 9 |
| 1868 | 2000 | 600 | 500 | | 940 | 50 | 1000 | 600 | 1000 | 338 | | 7028 | 9 |
| 1869 | 2000 | 600 | | | 940 | | | 600 | | 338 | | 4478 | 5 |
| 1870 | 2000 | 600 | | | 940 | | | 600 | | 338 | | 4478 | 5 |
| 1871 | 2500 | 1289 | | | 940 | | | 600 | | 338 | 350 | 6017 | 6 |
| 1872 | 2500 | 1289 | | | 940 | | | 600 | | 338 | 350 | 6017 | 6 |
| 1873 | 2500 | 1289 | | | 940 | | | 600 | | 338 | | 5667 | 5 |
| 1874 | 2500 | 1289 | | | 940 | | | 600 | | | | 5329 | 4 |
| 1875 | 2500 | 1289 | | | 940 | | | 600 | | | | 5329 | 4 |
| 1876 | 2500 | 1289 | | | 940 | | | | | | | 4729 | 3 |
| Commenced operations^d | 1857 (Acevedo, 1933a: 698) | 1857 (Acevedo, 1933a: 697) | 1858 (Acevedo, 1933a: 699) | 1862 (Jacob, 1996: 65) | 1863 (Joslin, 1963: 54) | 1865 (Jacob, 1996: 66) | 1865 (Devoto, 1976: 175) | 1866 (Acevedo, 1933a: 584) | 1866 (BCU) | November, 1867 (BCU) | May, 1871 (BCU) | | |
| Closed^e | 1876 (BCU) | Remained open until after 1913 | 1868 (Acevedo, 1933b: 584) | 1866 (BCU) | Remained open until after 1913 | Likely 1868 | 1868 (Acevedo, 1933b: 584) | 1875 (BCU) | 1868 (BCU) | July, 1873 (BCU); Liquidated in 1874 (BCU) | August, 1872 (BCU) | | |

^a The Banco Comercial was a currency emitting bank, but gave up this right in 1887.

^b Absorbed by the Banco Italiano in 1866 (BCU).

^c Assumed to have closed during the crisis of 1868.

^d The date operations commenced may differ from the date in which capital is first recorded. The first is based on the date in which the bank is given legal authority to operate, while the second is based on the year in which a figure for capital first appears in the sources.

^e Closing is based on the date in which the bank ceased operating with the public. Capital is registered up until the year of closing, even though it may appear in the sources in later years if liquidation is postponed.

Appendix, Figure 1B: Bank capital in thousands of pesos at current prices, 1877-1896 (Free banking under the Gold Standard)

| Year | Banco Comercial ^a | London and River Plate Bank | London and Brazilian Bank | English Bank of the River Plate | Banco Francés Supervielle ^f | Banco Nacional ^g | Banco Italiano | Banco Español del Río de la Plata/Bank of Spain and the River Plate ^h | Banco Inglés de Río de Janeiro/Británico de la América del Sud ⁱ | Banco de Cobranzas, Locación y Anticipos | Banco de Terapacá y Argentina/Anglo South American Bank | Banco Italo-Oriental | Banco Hipotecario ^j | Total capital | Number of banks |
|---|--------------------------------|--------------------------------|--------------------------------|--|--|---|---|--|---|--|---|---|--------------------------------|---------------|-----------------|
| 1877 | 600 | 1289 | | | | | | | | | | | | 2229 | 2 |
| 1878 | 600 | 1289 | | | | | | | | | | | | 2229 | 2 |
| 1879 | 600 | 1289 | | | | | | | | | | | | 2229 | 2 |
| 1880 | 600 | 1289 | 212 | | | | | | | | | | | 2441 | 3 |
| 1881 | 600 | 1289 | 235 | | | | | | | | | | | 2464 | 3 |
| 1882 | 600 | 1289 | 235 | | | | | | | | | | | 2464 | 3 |
| 1883 | 600 | 1289 | 235 | | | | | | | | | | | 2464 | 3 |
| 1884 | 600 | 1289 | 235 | | | | | | | | | | | 2464 | 3 |
| 1885 | 1594 | 1500 | 235 | 94 | | | | | | | | | | 3423 | 4 |
| 1886 | 1594 | 1500 | 235 | 94 | | | | | | | | | | 3423 | 4 |
| 1887 | 1594 | 1500 | 294 | 188 | 1000 | 12000 | | | | | | | | 16576 | 6 |
| 1888 | 1594 | 1500 | 294 | 188 | 1000 | 12000 | 220 | 800 | | | | | | 17596 | 8 |
| 1889 | 1594 | 1500 | 294 | 188 | 1000 | 12000 | 220 | 800 | 235 | 800 | | | | 18631 | 10 |
| 1890 | 1594 | 1500 | 294 | 188 | 1000 | 12000 | 220 | 800 | 235 | 800 | 500 | 1600 | | 20731 | 12 |
| 1891 | 1594 | 1500 | 353 | 188 | 1000 | 12000 | 220 | 800 | 235 | 800 | 500 | 1600 | | 20790 | 12 |
| 1892 | 1594 | 1500 | 353 | | 1000 | | 220 | 800 | 235 | 800 | 500 | | 5070 | 12072 | 10 |
| 1893 | 1594 | 1500 | 353 | | 1000 | | 220 | 800 | 235 | 800 | 500 | | 5070 | 12072 | 10 |
| 1894 | 1594 | 1500 | 353 | | 1000 | | 220 | 800 | 235 | 800 | 500 | | 5070 | 12072 | 10 |
| 1895 | 1594 | 1500 | 353 | | 1000 | | 220 | 800 | 235 | 800 | 500 | | 5070 | 12072 | 10 |
| 1896 | 1594 | 1500 | 353 | | 1000 | | 220 | 800 | 235 | 800 | 500 | | 5070 | 12072 | 10 |
| Commenced operations^d | 1857 (Acevedo, 1933a: 697) | 1863 (Joslin, 1963: 54) | 1878 (Joslin, 1963: 79) | 1885 (Winn, 2010: 46) | 1887 (Jacob, 2000: 184) | August 1887 (Acevedo, 1933a: 437-38) | 1887 (Jacob, 2000: 224) or 1888 (Acevedo, 1933b: 441) | 1888 (Acevedo, 1933b: 441) | 1888 or 1889 (Joslin, 1963: 169) | 1889 (Jacob, 1992: 13) | 1890 (?) | April, 1890 (Guerra et al, 2008: 47) | 1892 (Acevedo, 1933b: 562) | | |
| Closed^e | Remained open until after 1913 | Remained open until after 1913 | Remained open until after 1913 | 1891 (Winn, 2010: 194); Liquidated in 1893 (Winn, 2010: 199) | Remained open until after 1913 | 1891 (Acevedo, 1933a: 555); Liquidation not finalized until at least 1894 (Winn, 2010: 199) | Remained open until after 1913 | Remained open until after 1913 | Remained open until after 1913 | Remained open until after 1913 | Remained open until after 1913 | 1891 (Last year balances appear in the USY) | Remained open until after 1913 | | |

^f Jacob categorizes this bank (founded by a French immigrant) as domestic (1992: 13), but suggests that some of its capital may have come from abroad (Jacob, 1991: 10).

^g This bank was a quasi-state bank. Privately owned, yet its director was appointed by the Government and it handled the state's finances.

^h The Banco Español, founded by Spanish immigrants, was purchased by the Bank of Spain, of Argentine capital, in 1904.

ⁱ This was a branch of a British bank with its main operations in Brazil and Argentina.

^j This bank was created out of the Mortgage Department of the Banco Nacional when it was liquidated in 1892. Officially it was a private bank, but in effect was controlled by the state, and was officially nationalized in 1912.

Appendix, Figure 1C: Bank capital in thousands of pesos at current prices, 1897-1913 (Gold Standard with the beginnings of a Central Bank)

| Year | Banco Comercial | London and River Plate Bank | London and Brazilian Bank | Banco Francés Supervielle | Banco Italiano | Banco Español del Río de la Plata/Bank of | Banco Ingles de Río de Janeiro/ Británico de la América del Sud | Banco de Cobranzas, Locación y Anticipos | Banco de Terapacá y Argentina/Anglo South American Bank | Banco Hipotecario | Banco de la República Oriental del Uruguay ^k | Banco Cooperativo de Ahorros/Credit Foncier del Uruguay ^l | Banco Popular del Uruguay | Banco La Caja Obrera | Almán Transatlántico | Banco de Crédito | Caja Popular de Pando | Caja Popular de San José | Italo Belga | Total capital | Number of banks |
|-----------------------------------|--------------------------------|-----------------------------|---------------------------|---------------------------|---|---|---|--|---|----------------------------|---|--|---------------------------|---|------------------------|-------------------------|------------------------|--------------------------|------------------------|---------------|-----------------|
| 1897 | 1594 | 1500 | 353 | 1000 | 220 | 800 | 235 | 800 | 500 | 5070 | 5020 | | | | | | | | | 17092 | 11 |
| 1898 | 1594 | 1500 | 353 | 1000 | 220 | 800 | 235 | 800 | 500 | 5070 | 5038 | | | | | | | | | 17109 | 11 |
| 1899 | 1594 | 1500 | 353 | 1000 | 220 | 800 | 235 | 800 | 500 | 5070 | 5058 | | | | | | | | | 17130 | 11 |
| 1900 | 1594 | 1500 | 353 | 1000 | 220 | 800 | 235 | 800 | 500 | 5070 | 5084 | | | | | | | | | 17155 | 11 |
| 1901 | 1594 | 1500 | 353 | 1000 | 220 | 800 | 235 | 800 | 500 | 5070 | 5119 | | | | | | | | | 17190 | 11 |
| 1902 | 1594 | 1500 | 353 | 1000 | 220 | 800 | 235 | 800 | 500 | 5070 | 5153 | | | | | | | | | 17225 | 11 |
| 1903 | 1594 | 1500 | 353 | 1000 | 220 | 800 | 235 | 800 | 500 | 5070 | 5186 | 93 | | | | | | | | 17351 | 12 |
| 1904 | 1594 | 1500 | 353 | 1000 | 220 | 800 | 235 | 800 | 500 | 5070 | 5235 | 93 | 1000 | | | | | | | 18400 | 13 |
| 1905 | 1594 | 1500 | 353 | 1000 | 220 | 800 | 235 | 800 | 500 | 5070 | 5282 | 93 | 1000 | 10 | | | | | | 18456 | 14 |
| 1906 | 1594 | 1500 | 353 | 1000 | 220 | 800 | 235 | 800 | 500 | 5070 | 5327 | 93 | 1000 | 10 | 266 | | | | | 18767 | 15 |
| 1907 | 1594 | 1500 | 470 | 1000 | 220 | 800 | 235 | 800 | 500 | 5070 | 6399 | 93 | 1000 | 10 | 266 | | | | | 19957 | 15 |
| 1908 | 1594 | 1500 | 470 | 1000 | 220 | 800 | 306 | 800 | 500 | 5070 | 6563 | 93 | 1000 | 10 | 266 | 100 | 5 | | | 20296 | 17 |
| 1909 | 1594 | 1500 | 470 | 1000 | 220 | 800 | 306 | 800 | 500 | 5070 | 6954 | 93 | 1000 | 10 | 266 | 100 | 5 | | | 20688 | 17 |
| 1910 | 1594 | 1500 | 470 | 1000 | 220 | 800 | 306 | 800 | 500 | 5070 | 7531 | 93 | 2000 | 10 | 266 | 100 | 5 | 10 | | 22275 | 18 |
| 1911 | 1594 | 1500 | 470 | 1000 | 220 | 800 | 353 | 800 | 500 | 5070 | 9248 | 93 | 3000 | 10 | 266 | 100 | 5 | 10 | | 25038 | 18 |
| 1912 | 1594 | 1500 | 588 | 1000 | 220 | 800 | 470 | 800 | 500 | 5070 | 11076 | 93 | 3000 | 10 | 266 | 100 | 5 | 10 | | 27102 | 18 |
| 1913 | 1594 | 1500 | 588 | 1000 | 220 | 800 | 470 | 800 | 500 | 5070 | 12063 | 93 | 5000 | 10 | 266 | 100 | 7 | 10 | 750 | 30840 | 19 |
| Commenced operations ^d | 1857 (Acevedo, 1933a: 697) | 1863 (Joslin, 1963: 54) | 1878 (Joslin, 1963: 79) | 1887 (Jacob, 2000: 184) | 1887 (Jacob, 2000: 224) or 1888 (Acevedo, 1933b: 441) | 1888 (Acevedo, 1933b: 441) | 1888 or 1889 (Joslin, 1963: 169) | 1889 (Jacob, 1992: 13) | 1890 (?) | 1892 (Acevedo, 1933b: 562) | 1896 (BROU, 1917) | 1902 (Jacob, 1992: 145) | 1902 (Jacob, 1992: 13) | July, 1905 (Chagas y Trullen, 2009: 2009) | 1906 (Jacob, 1992: 13) | 1908 (Jacob, 2000: 221) | 1907 (Jacob, 1992: 13) | 1909 (Jacob, 1992: 13) | 1913 (Jacob, 1992: 13) | | |
| Closed ^e | Remained open until after 1913 | | | | | | | | | | | | | | | | | | | | |

^k Originally, half the shares were to be held by the state and the other half sold to the public. The private shares were never purchased and the Bank was officially nationalized in 1912 (BROU, 1917: 93)

^l The Banco Cooperativo de Ahorros was absorbed by the foreign owned Credit Foncier in 1910.

| Bank | Sources for capital amounts | Notes on capital amounts |
|--|--|--|
| 1857-1876 (The "Mauá period") | | |
| Banco Mauá | For 1857: Acevedo, (1933a: 698); For 1865: (Devoto, 1976: 168); For 1871: Acevedo (1933b: 671) | Capital amounts are assumed to have been increased in the year new figures appear in the sources (it is possible they were increased earlier). |
| Banco Comercial | For 1857: Acevedo (1933a: 697); For 1871: Acevedo (1933b: 671); For 1885: USY (1885) | Capital amounts are assumed to have been increased in the year new figures appear in the sources (it is possible they were increased earlier). |
| Banco Comercial de Salto | Acevedo, 1933a: 699, 700 | |
| Banco Comercial de Paysandú | Acevedo, 1933b: 350 | |
| London and River Plate Bank | For 1864 and 1865: Joslin (1963: 54, 55); For 1885: Winn (2010: 48) and USY (1885) | |
| Banco Comercial de Minas | 1865 (Jacob, 1996: 66) | |
| Banco Montevideano | Devoto, 1976: 175 | |
| Banco Navía y Cia. | Devoto, 1976: 175 | Acevedo (1933a: 584) reports capital in year of founding as 1 million. Assumed as authorized capital, and figure reported by Devoto (1976) is applied retroactively for the whole period. |
| Banco Italiano | Acevedo, 1933a: 671 | |
| Banco Oriental | Acevedo, 1933a: 671 | Acevedo, 1933a: 584 reports capital in year of founding as 500,000. Assumed this is authorized capital, and figure reported in Devoto (1976) is applied retroactively for whole period. |
| Banco Franco-Platense | Acevedo, 1933a: 671 | |
| 1877-1892 (Free banking under the Gold Standard) | | |
| London and Brazilian Bank | Own estimation based on Stone (1999), and capital for the mother company from the Investor's Monthly Manual (IMM) | Stone's figure of 50,000 pounds invested in 1880 is about 1/10th of the total capital for the company. This ratio has been applied to the capital of the mother company for the whole period to estimate the capital allocated to the Uruguayan branch. |
| English Bank of the River Plate | Winn, 2010: 46, 145, 194, 199 | |
| Banco Francés Supervielle | Jacob, 2000: 184 | |
| Banco Nacional | USY | |
| Banco Italiano | USY | |
| Banco Español del Río de la Plata/Bank of Spain and the River Plate | USY; Jacob, 1993: 23. | 3.000.000 pesos reported for 1888, probable paid up not more than 800,000. Capital for the Bank of Spain is assumed to be equivalent to the existing capital of the Banco Español in 1904. |
| Banco Ingles de Río de Janeiro/ Británico de la América del Sud | Own estimation based on Winn, 2010: 145 and capital for the mother company from the Investor's Monthly Manual (IMM) | Winn reports capital at opening at 50,000 pounds (235,000 pesos), or 1/10th of the capital of the mother company. The main company began increasing its capital in 1908, reaching double its earlier level by 1912. Here the capital for the Uruguayan branch is estimated maintaining the ratio of 1/10th the mother company's capital. |
| Banco de Cobranzas, Locación y Anticipos | Banco de Cobranzas, Locaciones y Anticipos (1922) Memoria Annual | The founding statute of this bank report authorized capital of 1 million pesos. The Company Report for 1922 reports capital of 800,000 pesos. This second figure has been applied to the whole period. |
| Banco de Terapacá y Argentina/Anglo South American Bank | Jacob, 1994: 33; Jacob 1992: 31 | Based on capital in 1921 |
| Banco Italo-Oriental | USY | 8 million pesos reported in the USY 1890, but this is likely authorized, not paid up. The figure for 1891 has been applied to both years. |
| Banco Hipotecario | USY | |
| 1897-1913 (Gold Standard with the beginnings of a Central Bank) | | |
| Banco de la República Oriental del Uruguay | USY | Authorized capital was 12 million pesos, raised to 20 million in 1910. Figures for paid up capital first appear for 1897 (USY). |
| Banco Cooperativo de Ahorros/Credit Foncier del Uruguay | Jacob, 1996: 145; Jacob, 1992: 13, 32 | Based on capital in 1921 |
| Banco Popular del Uruguay | USY | The balance sheet of this bank first appears in the USY in 1902, although Jacob says it was founded in 1902. |
| Banco La Caja Obrera | Chagas y Trullen, 2009: 55 | |
| Almán Transatlántico | Jacob, 1992: 13, 30 | Based on capital in 1921 |
| Banco de Crédito | Jacob, 2000: 221 | Capital reported for 1908. By 1921, capital was 2.5 million (Jacob, 2000: 221), but it is not known what year capital was increased. |
| Caja Popular de Pando | Archivo de la Arquidiócesis de Montevideo, carpeta Serie 0.0.37/1: Correspondencia a la Unión Económica del Uruguay. Cajas populares y Sindicatos agrícolas - 1907-1970. | Figures are for capital and reserve fund. Figures are available for only 1908 and 1913. |
| Caja Popular de San José | Archivo de la Arquidiócesis de Montevideo, carpeta Serie 0.0.37/1: Correspondencia a la Unión Económica del Uruguay. Cajas populares y Sindicatos agrícolas - 1907-1970. | Figure reported for 1910 |
| Italo Belga | Jacob, 1992: 13, 36 | Based on capital in 1921 |