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Pedro Tedde, **El Banco de España y el Estado liberal (1847–1874)** (Madrid: Gadir Editorial and Banco de España, 2015, 750 pp. ISBN 9788494363276 hardcover)

Spain's financial history during the nineteenth century was extremely turbulent, as the state defaulted repeatedly on its debt and it was not until the 1870s that the country consolidated a stable central bank. So far, historians have been mainly interested in the origins of the first privileged banks (the banks of San Carlos, San Fernando and Isabel II), in regional financial institutions (for example, the Bank of Barcelona) and in the emergence of large commercial and investment banks during the Restoration era (1876–1923). By analysing the early history of the Bank of Spain, from its inception (1856) until the year in which it was granted a monopoly of issue (1874), Pedro Tedde's book is the first systematic attempt to fill the existing gap in research on the central decades of the century.

At first sight, his account may seem too complex for readers unaware of the many twists and turns of Spanish political history. However, as Tedde argues, the creation of the Bank of Spain can be mostly understood as the result of the ideas and impetus of Ramon Santillán, Minister of Finance and later governor of this institution. The book's implicit thesis rests upon the idea that the Bank of Spain was only able to develop once it solved three basic problems. Firstly, it had to tackle the classic principal–agent conflict that had ruined the previous privileged banks, as some major shareholders had used their position to obtain large personal loans or pledge their securities portfolio with the consequent loss of public confidence. Secondly, the Bank had to coexist with multiple regional banks that issued notes in a system that was close to a free banking model. Tedde emphasises that the relationship between the Bank of Spain and these regional banks was friendlier than the reader might at first think, as the Bank's directors rightly concluded that the most profitable operations remained in Madrid, providing loans to the state and to the large commercial community. Eventually the Bank was granted a monopoly of note issue only after a long negotiation process that completely reorganised the Spanish financial system in the 1870s.

The third and certainly most important dilemma confronted by the Bank of Spain was its relationship with the state. Since its start, the Bank's main objective was to provide public funding and so its solvency inevitably became linked to the financial health of the Treasury. The climax of this relationship occurred with the crisis of 1864, when the impact of the global recession and the state's increasing dependence on short-term loans left the Bank being unable to cover note redemptions. The institution was literally on the brink of collapse, as revealed by a government proposal to create a new issuing bank backed by foreign investors (*Banco Nacional Español*) which Tedde rescues from oblivion. The failure of this alternative finally paved the way for the reorganisation of public finances and the creation of a more fluid relationship between the Bank and the Treasury, as sanctioned in the law of 1874.

Besides tracing the development of central banking, one of the greatest virtues of this book lies in its extensive and thorough presentation of different sources related to the Spanish financial system. Thus, this work will undoubtedly be of great value to those scholars interested in studying the enigmatic financial activities of the Marquis of Salamanca, the balance sheets of regional banks or the business correspondence of Urquijo, who later became one of the leading bankers of the Restoration era. In contrast, what is truly missing is some sort of comparison with the history of other central banks in Europe, in particular with the works of Alain Plessis on the Bank of France. The path followed in Spain may be more chaotic and contentious, but the parallels and differences would be worth studying. Despite this drawback, Pedro Tedde has written an attractive book that certainly opens a new perspective on Spain's financial history.

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