

## **Report on the 2019 Conference of the Economic History Society\***

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Every year, the *Economic History Society* (EHS) operating within the School of Social and Political Sciences at the University of Glasgow organises a conference on topics related to economic history in the broader sense. The 2019 Conference was held at Queen's University in Belfast, Northern Ireland. Before presenting the key messages of the Conference, it is worth briefly describing the EHS, and its origins and activities.

The EHS was founded in 1926 with the object of promoting the study of economic and social history, and facilitating professional relations between students and teachers of the field. The EHS aims to achieve its goals through annual conferences, through cooperation with other societies founded with similar objectives, and by promoting publications of studies in the field. Since 1927, it has published its own journal entitled *Economic History Review*. British economist *Richard H. Tawney* (1880–1962), an economic historian, professor at the London School of Economics and proponent of economic history in education, played an outstanding role in the foundation of the society. In his memory, a Tawney Lecture is presented annually at the EHS conference by an internationally respected professor. As in previous years, this year's conference was attended by several hundred participants including university instructors and PhD students from many top universities (e.g. University of Cambridge, University of Oxford, London School of Economics, University of Tokyo, University of Edinburgh), and representatives of several banks and research institutions (e.g. European Investment Bank, German Historical Institute). At the 2018 conference at Keele University, the author of this report presented a lecture on the evolution of the supervision of insurance companies in Hungary.

At this year's conference, *Michele D'Alessandro*, university instructor at the Bocconi University, discussed the development of the supervision of Italian savings banks (1927–1935). In the 1920s, there were many reasons behind the need for financial supervision reform in Italy: the failure of two large banks, prudential problems

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\* The papers in this issue contain the views of the authors which are not necessarily the same as the official views of the Magyar Nemzeti Bank.

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experienced even by smaller banks and the vulnerability of saving banks all contributed to the reform. The focus was especially on saving banks, since, of the financial institutions, they held the largest domestic deposit base and had the largest portfolios of government paper. The bulk of their clients came from the middle class, which was strongly supported by the government. Prior to the supervision reform, saving banks were subject to supervision by the Ministry of Economy and the Ministry of the Interior. However, this period was marked by a shortage of supervisors, a lack of expertise, and saving banks' low reporting frequency. The reform occurred in two stages. In the first stage, in 1926 commercial banks and cooperatives were made subject to supervision by the Bank of Italy, while from 1927, savings banks became subject to closer supervision. Accordingly, supervision was established on a regional basis. A sufficient level of expertise was also available, and supervision work was exercised with a more efficient division of tasks. In parallel with this, a guarantee fund (Common Guarantee Fund) was established, which can be basically regarded as a precursor to modern deposit insurance in Italy.

By comparison, it is worth recalling here briefly the evolution of the supervision of savings banks in Hungary. Renewal of the supervision in Hungary took place in a similar period, a few years ahead of the reform in Italy, with the formation of the Central Corporation of Banking Companies (Pénzüntézeti Központ) in 1916. As an integrated institution, the Central Corporation of Banking Companies supervised not only savings banks, but also banks and cooperatives. Although its duties were not confined to supervision, this task was a key activity. The Central Corporation of Banking Companies is seen as a forerunner of the current modern supervision, because, among other things, it implemented well-defined, detailed supervisory programmes.

*Tatsuki Inoue*, a PhD student at the University of Tokyo, presented the evolution and regulation of pawnbroking in Japan in the period between 1884 and 1934. In Japan, pawnbroking was formulated at the end of the 12th century, centuries ahead of the emergence of the banking system. The latter took place during the Meiji era in the second half of the 19th century, in parallel with the creation of a modern market-based financial system and unification of the national currency system. In relation to lending, charging interest was socially acceptable, but interest rates were limited: accrued interest could not exceed the principal amount (mostly guidelines were provided for the rate of interest). The number of pawnbrokers tended to decline in this period, falling from 30,662 of 1884 to 19,694 by 1916. Subsequently, there was a slight increase, but the number remained below 20,000 in subsequent years. In the 1910s, outstanding pawn loans increased sharply (by a factor of 15). This can be explained by the fact that the Spanish flu hit Japan, and the cost of obtaining the necessary medicines was often financed by pawning goods. In the absence of valuable property, 80 per cent of the pawned items included clothes or objects in everyday use, e.g. bed linen and mosquito nets, reflecting rather

poor conditions. The initial rules governing pawnbroking were mainly established with a view to reducing and preventing theft. Therefore, in the course of their activity, pawnbrokers had to closely cooperate with the police. Regulations later also required that pawnbrokers enter into an association, the leadership of which was able to exercise a certain degree of control over the activity of pawnshops.

Regarding Hungary, pawnbroking was affected mainly through the Hungarian Royal Pawnshop (Magyar Királyi Zálogház) in the 19th century. The organisational form of supervision over the Pawnshop continually changed in those decades, in response to internal events. Earlier, in the period of the 1848 Revolution and War of Independence, it was the administrative department of the Ministry of the Interior that was responsible for supervisory duties. After the Compromise, these tasks were taken over by the Hungarian Royal Ministry of Agriculture, Industry and Trade (Magyar Királyi Földművelés-, Ipar-, és Kereskedelemügyi Minisztérium), then by the organisationally separate Ministry of Trade (Kereskedelemügyi Minisztérium) following the entry into force of Law XVIII of 1889. By that time, Pawnshop was not the only one involved, as supervision was extended to other pawnbroking institutions formed in the meantime. The Ministry of Trade inspected the activities of pawnbrokers on an annual basis and prepared a written report on the audit. The inspections mainly involved the veracity of balance sheets and an estimate of the value of managed assets.

*Eoin McLaughlin*, a researcher at University College Cork, presented a lecture on microfinance in Ireland between 1836 and 1845. Microfinance in Ireland dates back a very long time: in the 1720s a fund was already established to provide finance to weavers. Its founder was the writer *Jonathan Swift*. In later years, the Dublin Musical Society also established a similar fund, which financed – among other things – the performance of *G.F. Händel's* oratorio, the *Messiah*. However, these institutions only became more widespread by the 1840s, when 533 loan societies existed. They were able to expand their activities to smaller settlements and villages as well, in contrast to banks, the number of which was 10 at that time and whose activities were concentrated mainly on big cities. Uniquely, in Ireland there were also charitable loan societies operating on a charity basis. These were of immense significance during the Great Famine (1845–1849) that occurred when the potato crop failed. The famine marked a watershed in the history of Ireland.

The Conference underlined the importance of the knowledge of economic history, highlighting the existing resources and the need for future research in economic history. For, as *John M. Keynes* put it, ultimately, most of us “are usually slaves of some defunct economist” without being aware of it. The Proceedings including the papers can be downloaded from the Internet site of the EHS, together with publications from previous years (<http://www.ehs.org.uk/home/index.html>). The next EHS Conference 2020 will be hosted by St. Catherine’s College, Oxford.