

From Frankfurt to Berlin: On the Political Economy of Continental European Finance Capitalism, 1826-1896¹

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Abstract

Historians of banking and finance often attribute the dominance of credit banks in modern European history to the continent's underdeveloped capital markets at the start of the nineteenth century. This essay examines the political economy of Europe's capital markets in order to understand what explains the continuity of the bank-centered system despite the increasing maturity and depth of Europe's capital markets after mid-century. The analysis focuses on the so-called *Effectensocietät* in Frankfurt, a private securities exchange that was founded in 1826 and operated parallel to the city's official stock exchange until it was officially dissolved and incorporated into the public exchange in 1896. While finance historians have not paid much attention to *Effectensocietät*, the organization seems to have played a central role in the continuity and expansion of the continent's bank-centered financial system, particularly after 1850. The essay concludes by exploring how an institution like the *Effectensocietät* might help historians re-think the relationship between the competing financial centers of Frankfurt and Berlin and more broadly, the emergence of modern finance capitalism on the continent. Finally, the essay employs the history of the *Effectensocietät* as a critique of conventional approaches to finance history, with the goal of uncovering potential blind spots in current methodologies for studying finance capitalism.

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