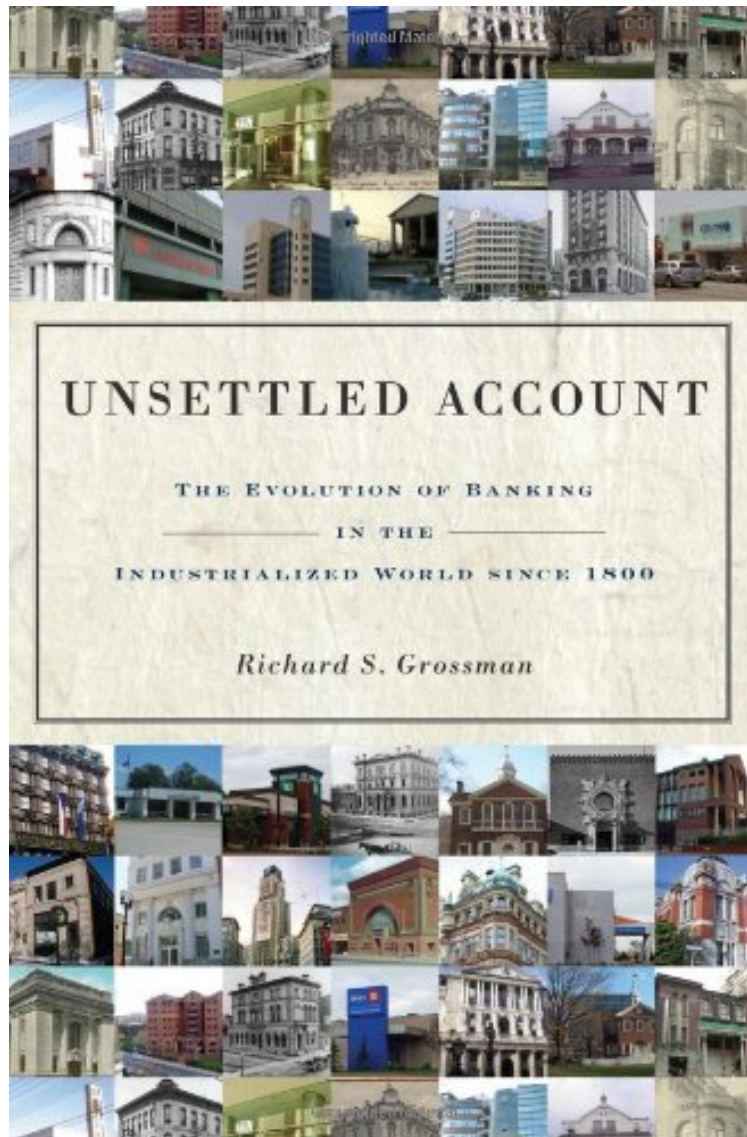


(Download) Unsettled Account: The Evolution of Banking in the Industrialized World since 1800 (The Princeton Economic History of the Western World)

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Richard S. Grossman

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Richard S. Grossman : Unsettled Account: The Evolution of Banking in the Industrialized World since 1800 (The Princeton Economic History of the Western World) before purchasing it in order to gage whether or not it would be worth my time, and all praised Unsettled Account: The Evolution of Banking in the Industrialized World since 1800 (The Princeton Economic History of the Western World):

4 of 5 people found the following review helpful. Pretty good
By James R. Maclean
This is a reasonably straightforward introduction to the history of banking in the West. There is a very brisk account of banking in the ancient world, with a few paragraphs on developments up to the mid-16th century; details begin with the 19th century and the first recognizable banks. Grossman turns next to banking failures, rescue strategies, merger movements (1), [preventive] regulation, and the post-Bretton Woods move toward deregulation (2). There is also a sampling of the historical development in selected countries: the UK, Sweden, and the USA. The explanations are hard to argue with and have a solid academic pedigree, so if you use this book as a reference/introduction, it will not steer you wrong. I found nothing to criticize, and in fact, most of the subject matter is extremely well-trod. Grossman takes hardly any controversial stands, let alone surprising ones, and you can be forgiven for finding it a bit boring. A few petty complaints: the book is entitled, "Unsettled account," which implies that eventually Grossman is going to reveal something disturbing, or else that the process has been interrupted before reaching closure (as in the legal sense of a debt left unpaid by the death of a contracting party). How is the existing financial system unsettled? Is it unsettling? Or is there some major transaction that needs to take place, which hasn't? Grossman's discussions of issues related to banking are really cursory, to the point that everything seems very much settled in the financial sector (and that problems arise from outside). Another complaint is the omission of detailed information on more recent developments, including the shadow banking system, disintermediation, and so on. For someone interested in the banking system, some explanation of these topics is certainly expected. Besides the vexing lack of information on latter varieties of financial instruments, the narrow geographic focus is disappointing. What about Japan? What about the Asian Currency Crisis of 1997, or the debt crisis of the early 1980s? These get a line or two, but they deserve more.

NOTES:(1) Mergers have for many years been the preferred form of rescue strategy by governments and bank managers themselves. Usually the merger of a weak with a weaker bank actually creates a bank in relatively better shape, since capital adequacy requirements are lower for big banks than small ones. One downside is that the merged bank still has to use retained earnings to restore its capital base, and over time the number of banks will tend to shrink.(2) "Bretton Woods" refers to a meeting of financial leaders at the Mount Washington Hotel, near Carroll, New Hampshire (United Nations Monetary and Financial Conference, July 1944). The meeting established an international arrangement of currency pegs that became fully operational in 1958. This arrangement collapsed in 1971, although the International Monetary Fund (IMF) and World Bank [Group] founded there survive to the present day. For various reasons, the BW system has a favorable reputation despite the inevitability of its quick demise (Triffin Dilemma). The trend toward looser regulation of financial markets seems to have been driven in part by the changing nature of the world's financial system, rather than by politics, and that change was stimulated by the new opportunities for foreign exchange arbitrage.

Commercial banks are among the oldest and most familiar financial institutions. When they work well, we hardly notice; when they do not, we rail against them. What are the historical forces that have shaped the modern banking system? In *Unsettled Account*, Richard Grossman takes the first truly comparative look at the development of commercial banking systems over the past two centuries in Western Europe, the United States, Canada, Japan, and Australia. Grossman focuses on four major elements that have contributed to banking evolution: crises, bailouts, mergers, and regulations. He explores where banking crises come from and why certain banking systems are more resistant to crises than others, how governments and financial systems respond to crises, why merger movements suddenly take off, and what motivates governments to regulate banks. Grossman reveals that many of the same components underlying the history of banking evolution are at work today. The recent subprime mortgage crisis had its origins, like many earlier banking crises, in a boom-bust economic cycle. Grossman finds that important historical elements are also at play in modern bailouts, merger movements, and regulatory reforms. *Unsettled Account* is a fascinating and informative must-read for anyone who wants to understand how the modern commercial banking system came to be, where it is headed, and how its development will affect global economic growth.