

# ***Montes de piedad* and savings banks as microfinance institutions in the periphery of the financial system of mid-19<sup>th</sup> Century Barcelona.**

**Montserrat Carbonell-Esteller\***

*“Centre d'Estudis Antoni de Capmany d'Economia i Història Econòmica (CEAC), Facultat d'Economia i Empresa, Universitat de Barcelona (UB), Barcelona (Spain)”*

*(Final version received 20 April 2011)*

This paper departs from the dominant interpretation of montes de piedad as charitable pawnshops, typical of Catholic Europe by framing the analysis of their activities as microfinance institutions. Fieldwork documents two cases in the industrial city of Barcelona during the mid-19<sup>th</sup> century. The long established Monte de Piedad de Nuestra Señora de la Esperanza de Barcelona (MPB) offered small loans to the most disadvantaged sectors, with more than seventy percent of its clients being very low income women. In contrast, the Montepío Barcelonés covered a broader spectrum, granting larger loans to clients, of which the majority were working class men. But during periods of extreme illiquidity, such as the financial and industrial crisis of 1847-8, the Montepío Barcelonés would even support traders and manufacturers. Hence, cases in this article tell how non profit financial institutions, located on the periphery of the new and burgeoning financial system, have the ability to contribute to mitigating the social costs of industrialization, through alleviating situations of crisis and adding to the resilience of the financial system as a whole.

**Keywords:** microfinance institutions; *monte de piedad*; *montepío*; savings bank; formal credit; informal credit; pawnbrokers; usury; poverty; women and gender; Spain; Barcelona; mid-19th century.

\*Corresponding author. Email: [montsecarbonell@ub.edu](mailto:montsecarbonell@ub.edu)

## Introduction

There is a strand of research in economic history which emphasises the role played by the financial intermediaries in economic growth and the modernization of different countries over the 19<sup>th</sup> and 20<sup>th</sup> centuries (Levine 1997, 2005; Rousseau 2005; Wu, Hou & Cheng 2010). More recent research in the sphere of development economics both at institutional and neo-institutional level highlights the importance of some intermediaries in fostering social cohesion and how this in turn, can lead to higher levels of growth, development and wellbeing (North, 1990; Rodrick, 2000; Rodrick, Subramanian & Trebbi, 2004; Glaeser, La Porta et al., 2004; Easterly, Ritzen & Woolcock, 2006). Research in this paper sheds light on the role played by small urban credit and savings institutions in the embryonic financial system of Spain in the mid-19<sup>th</sup> century. As a result, it shows how not-for-profit financial intermediaries (NFPFI) offer a good example of financial institutions becoming instrumental in strengthening social ties and augmenting economic growth.

The intermediaries studied in this paper prevail to the present day, having overcome many difficult situations, because they were equipped with sufficient flexibility to adapt to changes in social practices and in the regulatory framework (North, 1992; Ray, 2000, 2002; Reis 2005; Haber, North & Weingast, 2008). Their process of growth and evolution has been documented through systematic studies at the individual and sector levels (e.g. Batiz-Lazo, 2004; Sudrià, 1982, 1999; Nadal & Sudrià, 1982; Comín, 2003, 2008). Departing from this literature, however, research in this article re-examines the survival of the *montes de piedad* and their links with savings banks as an early form of microfinance institutions. The latter are financial intermediaries which lend large volumes of very small amounts of money and offer fast and easy access to credit for working class consumers. Such loans are closely linked to

family consumption and to the acquisition of modest supplies to develop activities that guarantee sustenance (Hollis & Sweetman 1998, 2001).<sup>1</sup> These financial intermediaries are also characterised by attracting large volumes of small savings from individuals and big deposits in the form of donations, bequests or charity.

For business historians it may seem anachronistic to frame the analysis of early European financial institutions such as the *montes de piedad*, under the umbrella of poverty alleviation activities of late 20<sup>th</sup> century in developing countries in Africa, Asia and Latin America. Yet despite this apparent contradiction, there is a growing trend to re-examine philanthropic institutions formed throughout the Western world of old to address the pressing social needs of their day through the common and encompassing framework of the microfinance discourse (Hollis and Sweetman, 1998, 2001; Sabel, 2005; Ginnane, 2005; Samy, 2008).

The *montes de piedad*, after amalgamating with savings banks, can be considered microfinance institutions as their activities during the 19<sup>th</sup> century were located on the “periphery” of the formal finance sector while contributing to mitigate the social costs of industrialization.<sup>2</sup> The term “periphery” refers to activities of those financial institutions specialized in offering services to previously neglected low-income sectors which were often somewhere between informal lending practices (usually engaging with moneylenders or usurers) and those able to secure advances from joint stock banks. Von Pische (1997) introduced the idea that there is a “frontier” between joint stock banks and the financial institutions specialized in the low-income sectors. Ray (1998) and Floro & Ray (1997) document the complexity of the financial system of some developing countries and reached the conclusion that it is composed of a formal sector and of an informal sector, which complement each other and which transfer clients and resources between them. Taken together these ideas enable a

discussion of “periphery” as a spatial metaphor to replace the term “frontier” with another which evokes a broader reality. The “periphery” of the financial system encompasses a broad strip of the retail lending market which is positioned between the core of the formal financial system – the commercial and merchant banks – and the informal finance sector. It was populated by people that, for different reasons, are unable to access credit from joint stock banks (the formal sector) and, at the same time, seek alternatives to the high interest rates of moneylenders and usurers (the informal sector). As a result of recasting the *montes de piedad* linked to the savings banks in the 19<sup>th</sup> century as microfinance institutions active in the periphery of the financial system, this article documents evidence as to how they were instrumental in addressing the needs of the poor and thus, fostering economic growth and increasing the resilience of the nascent Spanish financial system.

The reminder of this article is organized into three sections. The following section offers a conceptual framework to locate the *montes de piedad*, pawnshops, like microfinance institutions within not-for-profit-financial intermediaries. The third section shows the links between *montes de piedad* and savings banks in Spain, and maps the network of credit for pledge and savings for two microfinance institutions within Barcelona in the mid-19<sup>th</sup> century. The results show how each institution specialized according to differing clients, products and how each generates specific but complementary responses. The final section offers conclusions and identifies areas for future research.

### **Microfinance and NFPI: an analytical framework**

The supply of credit in 19<sup>th</sup> century Spain covered a broad spectrum. The formal and the informal sectors lay juxtaposed to one another, which together formed a single financial

system. Formal credit included loan agreements between individuals and the first banking institutions in which the obligations of the lender and debtor were clearly outlined. Contracts included those with a mortgage origin (bonds, life annuities); and contracts linked to commercial and productive activities (promissory notes, bills of exchange or shares). Such institutional arrangements coexisted with several forms of informal credit, that was not subject to clearly defined written conditions. Instead, a contract was agreed orally, rendering it as beyond the jurisdiction of the courts (Hoffman, Postel-Vinay & Rosenthal, 1999, 2001; Fontaine, 2008).

Informal credit agreements were a common feature of household budgeting of the emerging urban working classes in the late 18<sup>th</sup> century and during the 19<sup>th</sup> century. These arrangements underpinned continued consumption in a context characterized by an irregular income flow for most families and individuals. Lack of permanent employment amongst the urban proletariat forced people into the informal credit market as a mechanism by which to survive periods of unemployment (Fontaine, Postel-Vinay, et al., 1997; Fontaine, 2008). The supply of informal credit was dominated by moneylenders (usurers), which sat alongside other providers such as artisans, shopkeepers, masters, servants and landlords (Tebbut, 1984; Johnson, 1985; Taylor 2002).

Informal credit practises by moneylenders (usurers) tended to involve high interest rates given the nature of the risk of their lending, lack of guarantees of the borrowers, and flexibility in the repayment conditions (Ray 1998; Floro & Ray, 1997). The *montes de piedad*, pawnshops whose origins go back to the end of 15<sup>th</sup> century in Italy, appeared with the aim of providing the poor with affordable credit (Muzzarelli, 2001, 2003, 2007; Avallone, 2002, 2007). The *montes de piedad* expanded across Catholic countries in Europe (Ferriere, 2004, 2007; Fontaine, 2008), including Spain

(Rumeu de Armas, 1944; Lopez Yepes 1973; Titos, 1976; Carbonell, 1997, 2001, 2005, 2007) and its colonies in America (Francois, 2006). Liquid funds were secured mainly from donations, bequests and charity. Through the practice of camouflaging alms left by the borrowers on repaying loans and recovering pledges, the *montes de piedad* effectively acted as retail financial intermediaries by lending money at extremely low interest rates.

The *montes de piedad* acted as intermediaries between those who deposited their savings and/or made donations and those who obtained credit. The risk inherent in this activity has always been the uncertainty existing in relation to the repayment of the principal and the interest. The difficulty lay in the asymmetry of information between borrowers and the financial institution. The latter knew nothing of the borrowers or the use that they intended to make of the money applied for (adverse selection). Even if it was lent to them, the institutions did not have any information on how it was actually used and whether repayment in the allotted period was possible (moral hazard) (Rothschild & Stiglitz, 1976).

As is the case of microfinance institutions, the *montes de piedad* had a capacity to offer financial services to an unattended market niche made out by people with low incomes, although not necessarily the poorest. These institutions became active in the formal credit markets specializing in small loans, with low interest rates and considerable transaction and informational costs (Coase, 1937; Stigler, 1961). Costs were even more significant when taking into account the fact that the small loan sizes were unable to offset the high costs of enforcement (lawsuits, auctioning of the pledges, and other expenses of an administrative origin) if the loan was not repaid. The low interest rates could only be maintained if the institutions were subsidized by donations, bequests or charity.

In contrast, the effectiveness of the informal credit providers (i.e. moneylenders), with a high degree of establishment and knowledge of the community, incurred smaller information and transaction costs and more flexible practices, but had a greater exposure to the risk inherent in the lending and as a consequence higher interest rates were charged that were characteristic of an imperfect credit market (Yunus, 1997; Ray, 1998; Murdoch, 1999, 2000; Remeny & Quiñones, 2000; Ledgerwood & White, 2006). These rates, considered as abusive by contemporaries, were precisely what the *montes de piedad* were keen to avoid.

Some authors have questioned the long term financial sustainability of intermediation activities along the lines of those at the *montes de piedad* (Adams & Von Pische, 1992; Hulme & Mosley, 1996; Gutierrez Nieto, 2007). Specifically, the low interest rates subsidized by donors and philanthropists made supplying the lending institution with capital financially unsustainable and generated an effect opposite to what was originally hoped for. The low interest rates weakened the incentive to save, thus reducing the capital available to grant small loans. At the same time, these low interest rates sparked the demand for low interest loans among the better-off which ended up absorbing the financial resources that were initially destined for the poor.

In short, current ideas on microfinance highlight important levels of agreement on the reduction of efficiency and the mobilization of savings in the subsidized institutions with low interest. Nevertheless, arguments persist in deciding the point when a microfinance institution ought no longer to be subsidised (Murdoch, 2000; Ray, 1998, 2000; Floro & Ray, 1997; Ghosh, Ray & Mookherjee, 2001; Canning, Jefferson & Spencer 2003; Armendariz & Ray, 2005; Gutierrez Nieto, 2006, 2007). The case of the *montes de piedad* in Spain offers a good example of those subsidized institutions that survived with low levels of activity and efficiency until they amalgamated with the

savings banks during the second half of the 19<sup>th</sup> century. The logic of piety that characterised the early modern period was replaced by the logic of saving and social welfare.

### **The network of not-for-profit financial institutions in mid-19th century Barcelona.**

#### ***Savings banks and montes de piedad in 19<sup>th</sup> century Spain***

In the 1820s, Spanish liberals exiled in Britain began to come into contact with individuals within English utilitarian circles. The influence of Jeremy Bentham's doctrines gradually began to penetrate politics and the processes of social and legislative reforms that took place in Spain in the first half of the 19<sup>th</sup> century. A legislative process began in the 1830s in relation to the installation of savings banks in all the main cities of the territory (Nadal & Sudrià, 1981; Martínez Soto, 2003, 2005; Comín, 2003, 2008). The first was the Caja de Ahorros de Madrid (1839), this was then followed by many more<sup>3</sup>. This process of expansion culminated with the Royal Decree of 29 June 1853 on "the establishment of Savings Banks in all the capitals of the province together with branches in some of their towns", and the act of 1880, which considered savings banks and *montes de piedad* as welfare institutions, alongside hospices, hospitals and maternity hospitals and orphanages.

Different authors debated the advantages and disadvantages of these new savings institutions in Spain. In 1874 Braulio Antón Ramírez defended the role played by the savings banks as "a highly moralizing element of material progress, because they contribute to improving the customs, to reducing pauperism, to creating small ownership and consequently to making men peaceful, diligent and hardworking, keeping them away from vice and crime... (the savings banks) are almost a barometer of the civilization and prosperity of peoples"(Lopez Yepes, 1973, p.241). In the same



period, Ramón de Mesonero Romanos stated that “these savings banks are an essentially anti-revolutionary institution, associating the proletariat through their own work with interests and the pleasures of ownership and order” (Nadal & Sudrià, 1981, p.52).

This debate begs the question; what was the main problem with the installation of the savings banks in Spain? The deplorable state of the Spanish treasury made it unviable to invest the savings deposited in the savings banks in government bonds. In the rest of the Europe, government bonds represented a safe way to deposit the savings of the workers, while the opposite was true in Spain<sup>4</sup>. The only safe investment was to place these savings in the loans granted by the *montes de piedad*. This explains the link between the two institutions, the savings banks which was an example of modernity, and the *montes de piedad* which could be construed as prototypical institutions of late Medieval Europe.

The majority of savings banks developed taking advantage of the *montes de piedad* that were already established in the different cities<sup>5</sup>. It was observed in 1876 that, “the combination of *montes de piedad* and savings banks in Spain was giving excellent results” (Hernández Iglesias, 1876, p.405). Despite this, the same author indicated that, in the long term, only one of the two institutions would survive: “as the ideas and the customs which favour savings banks develop, the needs which encourage the *montes* will decrease... (the latter) will always have a very limited action, incompatible with the major development of the savings banks” (Hernández Iglesias, 1876, p.405).

The link between the two institutions was not always easy as their rationale was, in many respects, contradictory: the savings banks displayed the characteristics of a savings and welfare institution of the new liberal paradigm in which the payment of

interest on money was accepted; while the *montes* were exemplars of an older period in which charity prevailed over interest rates. This was the case in the city of Barcelona in the mid-19<sup>th</sup> century, where there was a peculiar process of institutional diversification in working-class finance.

### ***Microfinance in Barcelona***

In the mid-19<sup>th</sup> century Barcelona was the main industrial city of Spain. It was specialized in textiles in particular spinning and manufacturing cotton fabrics. The labour market developed as emigration and urban development intensified. The associations of workers (friendly societies, provident societies, emergency funds, the first trade unions) and the struggle to improve working conditions erupted with force in the 1840s (Garcia Balaña, 2004). It was in this context of change and modernization that different initiatives were developed, in relation to financial organizations which were favoured through legislation.

The financing of trade and business throughout Catalonia during early modern capitalism was carried out through merchant houses (*compañías de comercio* or *casas de comercio*), who were private firms engaged in both trading and banking (Castañeda, 1991; Castañeda & Rodrigo, 2006; Pascual, 1991; Maixé, 1993, 1995; Sudrià & Pascual, 1999). But between 1840 and 1865 there was a profound transformation in the way Spanish firms finance themselves. This was particularly the case in Barcelona, where a stock exchange and joint stock banks were established. According to Pere Pascual, these new financial institutions replaced traditional modes of finance and they complemented each other in creating liquidity, mobilizing resources and enhancing the supply of credit (Pascual, 1991, p. 351).

In the mid-1840s, a network of newly specialized financial organizations began to emerge in this city: on the one hand, the Banco de Barcelona was dedicated to servicing trade and business (Blasco & Sudrià, 2009); on the other hand, were those concerned with working-class finance. It was until 1856 when the first investment banks, Societat Catalana General de Crèdit and the Crèdit Mobiliari Barcelonés, were founded after the passing of the first legislation on financial organisations (Sudrià, 1982; Sudrià & Pascual, 1999; Pascual, 1991; Castañeda, 1991; Cabana, 1996). Hence, in the mid 19<sup>th</sup> century the Barcelona-based, Catalan financial system had commercial and investment banks servicing businesses and the well off; as well as intermediaries specialised in credit and deposit taking servicing the working proletariat.

In relation to the financing of the poorest elements in society, older institutions were juxtaposed with the recently created ones. In the mid-19<sup>th</sup> century three institutions offering credit and savings facilities for the working class coexisted in the city of Barcelona, one which had been founded in the mid 18<sup>th</sup> century while the other two had been created in the mid 19<sup>th</sup> century (Table 1). The old monte de piedad (el MPB) founded in 1751, acted as both a pawnshop and deposit accepting institution. The Caja de Ahorros de Barcelona, created in 1844-45, was an institution orientated toward working-class saving in which the working classes and artisans of the city could open their accounts and deposit their savings. The other institution, the Montepío Barcelonés was founded in 1846. At the present these three institutions are a unique savings bank.<sup>6</sup>

(Insert Table 1)

The Montepío Barcelonés operated as a *monte de piedad*. It had as its mission a stated objective to lend small quantities of money against pledges, thus giving an outlet for the capital deposited with the Caja de Ahorros de Barcelona. The Caja de Ahorros

de Barcelona and Montepío Barcelonés grew as independent but closely related institutions. The success of the new pawnshop institution, the Montepío Barcelonés, is demonstrated by the proliferation of branches in the main working-class neighbourhoods of at the end of the 19<sup>th</sup> century (Table 1). The persistence of the old *monte de piedad* and the coexistence of the three institutions illustrates the complexity and richness of the formal microfinance sector which was located on the periphery of the burgeoning financial system.

***Institutional profiles: monte de piedad, montepío and the savings bank***

In general, the savings banks expanded in Spain alongside the old *montes de piedad*, following the steps of that pioneering institution the Caja de Ahorros y Monte de Piedad de Madrid (1839). In Barcelona, however, it was impossible to reconcile the old *monte de piedad* and the new savings bank. The factors explaining the refusal of the old *monte* to join the new savings bank were, first of all to do with reasons of internal politics of the institution which were reflected in conflicts and disagreements among the members of the institution's General Council<sup>7</sup>. The second explanation is more to do with strategy such as the defence by the institution, of its defining characteristic, that is its issuance of interest loans. It was this condition that guaranteed the influx of funds and which was therefore seen as crucial for its long-term survival.

The standoff became resolved in 1844 when the Sociedad Económica Barcelonesa was founded, the Caja de Ahorros de Barcelona did not bear any link to the old *monte de piedad*. A few weeks following its foundation there was a new attempt by the Board of the Caja de Ahorros de Barcelona to persuade the old MPB to accept new conditions and allow it to receive the monies deposited in the *savings bank*. This was granted under the proviso that the loans were given with an annual interest rate of 5%

and it opened its offices for three days of every week. The MPB, reaffirming its most traditional ideological positions of safeguarding the free nature of the loans, did not accept these conditions, doing so in order to maintain its independence. The institutional inflexibility obliged the savings bank to equip itself with a new secured loan institution so as to give an outlet to the capital which it held as deposits.

The inflexibility of the old MPB made it easier, one year later, in 1845, for the Board of the savings bank to establish a new *monte de piedad* from which to give an outlet for the savings bank's funds. It gave the new institution a different name which would clearly differentiate it from its intransigent counterpart. This new establishment which opened its doors in 1846 was to be known as the Montepío Barcelonés. It was closely linked to the Caja de Ahorros de Barcelona, and was in effect "a section or dependency of the savings bank situated in the same premises, served by the same employees (and) managed and administered by the same governing body" (*Reglamento*, 1853).

The new *Montepío* was created with its own profile which distinguished it from the old institution (Table 2). It was intended that it offer an outlet for the capital deposited in the savings bank, lending from 50 to 30,000 Reales to individuals against valuable pledges, which could be "gold or silver jewels or valuable metals of any kind, fine stones or pearls, manufactured or non-manufactured hemp, flax, silk, wool or cotton, paper of all kinds, sugar, coffee, cacao, wax, certificates of consolidated debt and any other objects of intrinsic and permanent value in the opinion of the Appraiser or Valuer and with the prior authorization and agreement of the duty Manager" (*Reglamento*, 1853). The interest on the loans was fixed according to the regulations of the Montepío Barcelonés of 1853 at 6% per year, and the payment of the interest was always made at the time of redeeming the pledge. The maximum repayment time was

12 months. This period could be extended upon request and approval by the Council (Table 2).

(Insert Table 2)

The conditions of the guarantee and the loans of the MPB were different, as shown in Table 2. The type of pledge accepted as a guarantee, the time foreseen for the redemption or renewal of the loan and its maximum value show the heterogeneity of similar institutions. In the older MPB the pledges accepted were of less value (jewels and metals, textile fibres and clothes, and kitchen utensils) and the time fixed for the repayment of the loan was shorter at six months, renewal was subject to the Council's approval. The issue of the interest chargeable or payable had been the central issue of the old institution since it was established in 1751. It was resolved in 1861, when the older *monte* accepted to charge a 5% annual interest rate but only on the loans of over 800 Reales. This was made possible by the Act of March 14, 1856 which abolished the interest rate cap on money lent.

From then on the fabric of the city's new microfinance network was composed by three microfinance institutions. One was specializing in credit for pledge and receiving funds (the MPB). Another that specialized in promoting thrift by accepting retail deposits (the savings bank) and a third that specialized in making advances in exchange for pawn and pledges (Montepío Barcelonés). The survival of all three institutions only made sense if they supplying different clients and offered different products.

***The stratification of the credit market and the disappearance of the poorest from the formal microfinance sector***

The process of specialization in different clients was conceived when establishing the conditions of the loans and its guarantees: this entailed deciding upon the type of pledge, linking its value to that of the loan and determining the maximum time which the item could be held in trust. The conditions for offering credit were set according to the number of days that the office remained open for the different transactions, the credit limit that was allowed and the interest that could be charged at the time of the repayment or in the case of renewal the surcharges incurred. In short, the difference in the conditions of the guarantee, that is of the pledge, and of the loan, allowed the different institutions to find their own clients. It was in this way that the consumer credit market became segmented in the Barcelona around the mid-19<sup>th</sup> century.

The city's second secured loan institution, the Montepío Barcelonés, was different from its older counterpart in terms of the loan conditions, it differed with regards to the maximum term for repayment, the type of pledge that the institution accepted and the maximum value of credit that it granted. For instance, MPB used as guarantee jewellery, silver cutlery, copper-based kitchenware, raw materials for textile mills and their finished products (such as yarn, fabrics and garments). In addition to these, the Montepío Barcelonés also accepted wax, paper and imported goods from the colonies (sugar, cacao, tobacco, cotton) (Table 2).

The dynamics of the microfinance institutions contributed to the increased segmentation of the credit market and its clientele. Forfeiture of the loan meant the pledge would have to be sold at public auction. One of the mechanisms used by Montepío Barcelonés to avoid potential losses when a loan was not repaid was to take exhaustive measures to assess the potential marketability of each pledge. In this respect, lending guidelines induced the appraiser to value those objects which would be difficult to sell at a very low price, thus the poorest, who tended to have the least interesting

pledges to offer, were gradually expelled from the periphery of the financial system's formal sector and into the hands of the money lenders (informal sector).

The appraiser was required to cover the difference between the loan granted and the part which was not repaid, with the amount received from the sale of the pledge at public auction. The Articles of the Montepío Barcelonés established that whenever the borrower did not pay this difference, it was the appraiser who would be obliged to pay it. Consequently, the options to obtain credit for the poorest were: either being diverted to another institution specialized in an even lower stratum of the credit market, or upon being squeezed from the formal microfinance sector using traditional lenders from the informal sector. Both options were available in Barcelona in the second half of the 19<sup>th</sup> century.

(Insert Table 3)

In Table 3 it is apparent that the two secured loan institutions specialized both in different products, and most likely in different clients sectors. In 1848, the MPB offered credit to the most disadvantaged sectors: the number of loans granted was much higher than the Montepío Barcelonés and, at the same time, the value of these loans was lower (Table 4). 74% of the loans granted in 1848 were below the typical earnings of a factory labourer over 21 days, this is according to the estimates offered by Ildefons Cerdà (Cerdà, 1867). The old MPB specialized in granting loans to the largest possible number of families, which it did through granting loans to women. In 1848 for example, 72% of the loans granted were to women (Table 3, 4).

(Insert Table 4)



In contrast, in the Montepío Barcelonés women only represented a third of the borrowers and only a third of the loans granted corresponded to microloans with an approximate value of less than 21 days' of the typical wages of a factory labourer (Table 3). The clients of the Montepío Barcelonés spanned a broad spectrum: poor widows, day labourers, but also, merchants, shopkeepers, textile manufacturers, traders and even, probably, informal lenders who used the *montepío* to deposit the pledges from their own clients and thus obtain cash. The periphery of the financial system's formal sector thus became a space where interaction between the formal and the informal sphere could happen.

***The flow of resources from the bank for the poor to the mercantile class during the industrial and financial crisis of 1847-48.***

In 1847-48 Barcelona, like many European cities, experienced an industrial and financial crisis. The end of the monarchy in a context of poor harvests and a subsistence crisis in France, had a knock on effects on the rest of Europe (Berger & Spoerer, 2001). The resulting economic and financial crisis of 1847-8 has been described by Gabriel Tortella as the "first great crisis of Spanish capitalism" (Tortella 1973, p.43). Catalonia was the worst affected region within Spain given its greater degree of industrialisation. Like in France, the crisis had its origins in the agricultural sector. A succession of bad crops starting in 1846 resulted in an increase of imports and greater scarcity of staple foods (Pascual, 1990). The demand for manufacturing goods shrank and the decrease in manufacturing activity was aggravated by shortages in American cotton. A new civil war (the second Carlista war) added to the increase in the prices of food and cotton of 1846. The economic outlook was dim and many businesses suffered. With the economy in retreat and little or no business confidence, the worst affected were credit institutions,

trading houses, manufacturers and, of course, working class households (Sudrià, 1982; Tedde, 1989; Pascual, 1990; Blasco & Sudrià, 2009).

The earliest signs of a financial panic in the city of Barcelona were evident by mid 1847. The coffers of the Banco de Barcelona remained empty; the public rushed to withdraw their deposits and change their notes into gold (Blasco & Sudrià, 2009). At the same time, in March 1847 the savings bank of the City (Caja de Ahorros de Barcelona) observed an increase in withdrawals and a reduction of both the amount of deposits and the number of depositors (see Table 5). Given the lack of liquidity and ongoing bank run on the Banco de Barcelona, traders and manufacturers solved their liquidity requirements by pawning their stocks of commodities (e.g. cotton, cocoa, paper, sugar, tobacco) and finished goods at the Montepío.<sup>8</sup>

(Insert Table 5)

The Montepío Barcelonés, as it could lend money against goods, undoubtedly became a tremendously attractive institution for the city's businessmen, who could acquire easy and fast credit at a good price and with facilities to store the goods in exchange for a reasonable fee. For certain types of goods it had been foreseen that they had to pay for their storage. This was probably a way of avoiding possible abuses by traders and shopkeepers who had discovered in popular credit institutions a way of obtaining cash and a safe place to deposit and store goods cheaply. Trade and the microfinance institutions this became interrelated in the Barcelona of the mid-19<sup>th</sup> century, as is shown by the high loans for pledges that the Montepío Barcelonés made on raw cotton, cacao, sugar, tobacco and paper.

Despite the limit imposed on the credit that the Montepío Barcelonés could offer, in practice the clients and the institution negotiated a way round this restriction.

The easiest way was to fragment the credit into different smaller loans. However, the amounts paid out by the Montepío Barcelonés to certain individuals were really important. In the years 1847 and 1848 some of the Montepío's borrowers obtained credit at a scale above the average to which the partners and clients of the Banco de Barcelona could normally aspire.

In the financial crisis of 1847 and 1848, the lack of liquidity obliged traders and industrialists to seek resources wherever these were available. The resources of the institutions which offered secured loans to the working-class section of society were, at certain times, attracted by these traders, shopkeepers and manufacturers (Table 6). It is apparent that in critical situations, the flow of resources from the consumer credit institutions to the world of business would occur. The new working-class credit institutions which were located on the periphery of the new financial system could provide it with greater flexibility and resistance, diverting their funds when required at times of crises from the working-class to the mercantile class.

(Insert Table 6)

At times of crisis and with a reduction of deposits, the dynamics of the credit for pledge institutions pushed them – as described in the second section of this article – to lend to clients with guarantees of a lower value. Only the *political voice* could limit this trend characteristic of microfinance institutions (Lindert, 2004). Indeed, on 29 July 1863, the Montepío Barcelonés ordered: “the cessation of loans against goods, commodities and storage articles ” (*Informe*, 1863).

## Conclusions

The history of the *montes de piedad* in Spain has allowed us to explore the historical roots of the current debates surrounding the main problems faced by the financial organizations which offer credits to the low-income sectors that are neglected by the joint stock banks. These problems include their financial viability, their long-term sustainability, and the true measure of their social impact.

In Catholic Europe and in many countries within Latin America the *montes de piedad* preceded the savings banks. The study of the microfinance institutions in Spain in the mid-19<sup>th</sup> century has demonstrated that the persistence of old institutions created under the early modern period – *montes de piedad* - acted as the basis for the establishment of the new working-class savings and credit organizations and institutions, in the majority of the cases. The savings banks in Spain in the 19<sup>th</sup> century discovered in the *montes de piedad* a safe outlet for their deposits. The old *montes de piedad* abandoned their old logic of charity that did away with interest on loans and deposits to adapt to the new logic of paying interest on savings and investments.

In the Barcelona of the mid-19<sup>th</sup> century the contradictions of the old *monte de piedad* became evident. The appearance of a new *monte de piedad* called Montepío Barcelonés and linked to the new Caja de Ahorros de Barcelona, revealed the existence of two opposing logics: an old logic of charity and the free nature of loans and deposits, and a new which offered interest on money and saving. The latter of these prevailed, and the old *monte* again adapted to the new period, accepting loans and deposits with interest. Both *montes de piedad*, the one established in 1751 and the one established in 1844, coexisted, offering financial services to the poor sectors. Each of these institutions found its own clients.

The analysis of the operation of the *montes de piedad* in the mid 19<sup>th</sup> century has highlighted the mechanisms by which the expulsion of the poorest individuals from

the microfinance institutions became a logical consequence of the character of the formal banks. The conditions of the pledge, of its valuation and of the credit granted inevitably generated a dynamics of exclusion of those who could only provide guarantees of a lower value that is the poorest. The existence in Barcelona of two credit for pledge institutions allowed, to a certain extent, the dynamics of exclusion to be offset, as those borrowers who were rejected by the *Montepío* could be served by the *Monte de Piedad*.

The analysis of the network of working-class credit institutions which emerged in mid-19<sup>th</sup> century Barcelona allows us to observe the diversification of the two credit for pledge institutions which specialized in different products and different clients. The old *monte de piedad* offered micro-credits to the most economically disadvantaged sectors, these were mainly women. On the contrary, the *Montepío Barcelonés* covered a broader spectrum with its range of clients, granting bigger loans to clients, who were mainly male (Tables 3, 4).

The analysis of the loans granted by the new pledge institution (the *Montepío Barcelonés*) in the years of the financial and industrial crisis of 1847 and 48 shows how part of the resources from the savings of the working families deposited in the city's savings bank was captured by traders, shopkeepers and manufacturers (Table 6). The new working-class credit institutions, located on the periphery of the nascent financial system, showed their ability to contribute to alleviating situations of crisis, providing the overall financial system with greater flexibility and resistance.

## Acknowledgements

Early works of this paper were presented at the European Social Science History Conference, Amsterdam 2006; at the World Economic History Conference, Helsinki

2006; at III Congreso Internacional de la Asociación Mexicana de Historia Económica. Cuernavaca, México 2007; and at the Seminar of the Economic History Department of the University of Barcelona, March 2008. I am very grateful for comments from discussants and participants at these sessions and to the editors and referees of this special issue. This article was prepared in the framework of the project financed by the Ministerio de Ciencia e Investigación, HAR2010-17482 "New banking and financial bourgeoisie. Local issuing banks in Spain 1844-1874", supervised by Carles Sudrià, Centre d'Estudis Antoni de Capmany d'Economia i Història Econòmica (CEAC), Facultat d'Economia i Empresa, Universitat de Barcelona (UB). Helpful comments from Bernardo Batiz-Lazo and Mark Billings. The usual disclaimers apply.

#### **Notes on contributor**

Montserrat Carbonell Esteller is lecturer of Departament d'Història i Institucions Econòmiques of the Universitat de Barcelona.

## References

### Primary sources

Arxiu Històric de la Caixa, Barcelona (AHC)

Arxiu Nacional de Catalunya, Sant Cugat del Vallès (ANC)

Archivo General de la Administración, Alcalá de Henares (AGA)

### Secondary sources

Adams, D., and J. von Pischke (1992). Microenterprise Credit Programs: Déjà vu. *World Development*, 20(1), 1463-1470.

Antón Ramírez, B. (1876). *Montes de Piedad y cajas de ahorros. Reseña histórica y crítica*. Madrid: Imprenta, Estereotipia y Galvanoplastia de Aribau y C<sup>a</sup>.

Avallone, P. (2002). *Il povero va in banca. I Monti di Pietà negli antichi stati italiani (secc. XV-XVIII)*. Napoli: ESI.

Avallone, P. (2007). *Prestare ai Boveri. Il credito su pegno e i Monti di Pietà in area Mediterranea (Ascoli XV-XIX)*. Napoli: Consiglio Nazionale delle Ricerche, Istituto di studi sulle società del Mediterraneo.

Armermendariz, B. & Morduch, J. (2005). *The economics of microfinance*. Cambridge, MA: The MIT Press.

Benaul, J.M., Garrido, A. & Sudrià, C. (2008). *Caixa de Sabadell. Finanzas y acción social 1859-2009*. Barcelona: Fundació Caixa de Sabadell.

Batiz-Lazo, B. (2004). Strategic Alliances and Competitive Edge: Insights from Spanish and UK banking Histories. *Business History*, 46(1), 23-56.

Blasco, Y & Sudrià, C. (2009). *El banc de Barcelona, 1844-1874. Història d'un banc d'emissió*. Barcelona: Generalitat de Catalunya-Departament d'Economia i Finances.

Berger, H., Spoerer, M. (2001). Economic Crises and the European Revolutions of 1848. *The Journal of Economic History*, 6 (2), 293-326.

Cabana, F. (1996-2000). *Caixes i bancs a Catalunya* (vols 1-4). Barcelona: Enciclopedia Catalana.

Canning, D., Jefferson, C.W. & Spencer, J.E. (2003). Optimal credit rationing in not-for-profit financial institutions, *International Economic Review*, 44(1), 243-261.

Carbonell, M. (1997). Le petit crédit urbain et la mise en gage d'objets. Barcelone, XVIIIe siècle. In L. Fontaine, G. Postel-Vinay, J.L. Rosenthal, P. Servais (Eds.). *Des*

*personnes aux institutions. Réseaux et culture du crédit du XVIe au Xxe siècle en Europe* (pp. 268-284). Louvain-la-Neuve: Academia Bruylant.

Carbonell, M. (2000). Using microcredit and restructuring households: Two complementary survival strategies in late 18th century Barcelona. *International Review of Social History*, 45-supl. 8, 71-92.

Carbonell, M. (2005). Instituciones de microcrédito y economía social en los orígenes de la Cataluña contemporánea. *Papeles de Economía*, 105-106, 244-254.

Carbonell, M. (2007). Los montes de piedad en España: contribuciones al debate. In P. Avallone (Ed.), *Prestare ai Boveri. Il credito su pegno e i Monti di Pietà in area Mediterranea secoli XV-XIX* (pp.145-156). Napoli: Consiglio nazionale delle ricerche, Istituto di studi sulle società del Mediterraneo.

Castañeda, LL. (1991). Sector financer i mercats de capitals al primer terç del segle XIX. In *Història Econòmica de la Catalunya Contemporànea, S.XIX*. Barcelona: Enciclopedia Catalana, 339-349.

Castañeda, LL., Rodrigo, M. (2006). “Los Vidal Quadras: familia y negocios, 1833-1871. In Grau, R. (ed.), *La ciutat i les revolucions, 1808-1868, el procés d'industrialització*. Barcelona: Ajuntament de Barcelona, 115-144.

*Centenario de la Caja de Ahorros y Monte de Piedad de Barcelona 1844-1944*. (1944). Barcelona: Talleres de Rieusset, S.A. y Farré y Asensio

Cerdà, I. (1867). *Teoría general de la urbanización : y aplicación de sus principios y doctrinas a la reforma y ensanche de Barcelona*. Madrid : Imprenta Española.

Coase, R.H. (1937). The Nature of the Firm. *Economica*, 4(16), 386-405.

Comín, F., Torres, E. (2003). Una historia urgente de la Confederación Española de las Cajas de Ahorros. *Papeles de Economía Española*, 97, 246-284.

Comín, F. (2008). *Historia de la cooperación entre las cajas: la Confederación Española de Cajas de Ahorros: 1928-2007*. Madrid: Alianza.

Easterly, W., Ritzen, J. & Woolcock, M. (2006). Social cohesion, Institutions and Growth. *Economics and Politics*, 18(2), 103-120.

Fábregas, A.M. (1899). *Apuntes para la Historia General del Monte de Piedad de Nuestra Señora de la Esperanza de Barcelona y Salvación de las Almas*. Barcelona: La Hormiga de Oro.

Ferrières, M. (2004). *Le bien des pauvres. La consommation Populaire en Avignon (1600-1800)*. Seyssel: Champ-Vallon.

Ferrières, M. (2007). The « Mont de Piété » of Avignon : from charitable credit to popular credit (1610-1790). In P. Avallone (ed.), *Prestare ai Poveri. Il credito su pegno*



*e i Monti di Pietà in area Mediterranea (Ascoli XV-XIX)*(pp.157-168). Napoli: Consiglio nazionale delle ricerche, Istituto di studi sulle società del Mediterraneo.

Floro, M.S. & Ray, D. (1997). Vertical links between formal and informal financial institutions. *Review of Development Economics*, 1(1), 34-56.

Fontaine, L. (2008). *Economie morale, pauvreté, crédit et confiance dans l'Europe préindustrielle*. Paris: Gallimard.

Fontaine, L., Postel-Vinay, G., Rosenthal, J.L. & Servais, P. (Eds.) (1997). *Des personnes aux institutions. Réseaux et culture du crédit du XVIe au Xxe siècle en Europe*. Louvain-la-Neuve: Academia Bruylant.

Francois, M.E. (2006). *A Culture of Everyday Credit: Housekeeping, Pawnbroking, and Governance in Mexico City, 1750-1920*. Lincoln: University of Nebraska Press.

Garcia Balaña, A. (2004). *La fabricació de la fàbrica: treball i política a la Catalunya cotonera*. Barcelona: Abadia de Montserrat.

García Ruiz, J.L. (Ed.) (2007). *Instituciones financieras en España*. Bilbao: BBVA-Archivo Histórico.

Glaeser, E.L., La Porta, R., Lopez-de-Silanes, F. & Shleifer, A. (2004). Do Institutions Cause Growth?. *Journal of Economic Growth*, 9(3), 271-303.

Ghosh, P., Mookherjee, D. & Ray, D. (2000). Credit Rationing in Developing Countries: An Overview of the Theory. In D. Mookherjee and D. Ray (Eds). *A Reader in Development Economics* (pp. 283–301). London: Blackwell.

Guinnane, T.W. (2005a). Regional Banks for Micro-Credit Institutions: Centrals in the German Cooperative System before the First World War. Meeting Papers 74, Society for Economic Dynamics.

Gutierrez-Nieto, B. (2006). El microcrédito: dos escuelas teóricas y su influencia en las estrategias de lucha contra la pobreza. *CIRIEC-España*, 054, 167-186.

Gutierrez-Nieto, B., Serrano-Cinca, C. & Molinero, M. (2007). Microfinance institutions and efficiency. *Omega*, 35, 131-142.

Haber, S., North, D. & Weingast, B.R. (Eds.) (2008), *Political Institutions and Financial Development*. Stanford: United States Stanford University Press.

Hernández Iglesias, F. (1876) *La beneficencia en España*. Madrid: Establecimiento Tipográfico de Manuel Minuesa (2 vols.)

Hoffman, P., Postel-Vinay, G. & Rosenthal, J.L. (1999). Information and economic history: How the Credit Market in Old Regime Paris Forces us to rethink the Transition to capitalism. *American Historical Review*, 104 (1) 1999, pp.69-94.

Hoffman, P., Postel-Vinay, G. & Rosenthal, J.L. (2001). *Des marchés sans prix. Une économie politique du crédit à Paris, 1660-1870*. Paris: Éd. de l'EHESS.

Holis, A. & Sweerman, A. (1998a) Microcredit: What Can We Learn from the Past?. *World Development*, 26(10), 1875-1891.

Holis, A. & Sweerman, A. (1998b). Microcredit in Prefamine Ireland. *Explorations in Economic History*. 35(4), 347-380.

Holis, A. & Sweerman, A. (2001). The life-cycle of a microfinance institution: the Irish loan funds. *Journal of Economic Behavior & Organization*, 46(3), 291-311.

Holis, A. & Sweerman, A. (2007). The Role of Local Depositors in Controlling Expenses in Small-Scale Financial Intermediation: An Empirical Analysis. *Economica*, 74 (296), 713-735.

Hulme, D. & Mosley, P. (1996). *Finance against Poverty*. London: Routledge.

*Informe elevado a la Junta. Acuerdo del Monte Pío Barcelonés de cesar de prestart sobre géneros . (artículos de comerciop y su almacenaje), 29 de Julio de 1863*. Actas de 1863, AHC.

Johnson, J. (1985). *Savings and Spending: the working-class economy in Britain, 1870-1939*, Cambridge: Cambridge University Press.

Ledgerwood, J., White, V. (2006). *Transforming Microfinance Institutions*. Washington, DC: World Bank Publications.

Levine, R. (1997). Financial Development and Growth: views and agenda. *Journal of Economic Literature*, 35, 688-726.

Levine, R. (2005). Finance and Growth: Theory and Evidence. In *Handbook of Economic Growth* (vol 1, pp. 865-934). Amsterdam: Elseiver.

Lindert, P. (2004). *Growing Public. Social Spending and Economic Growth Since the Eighteenth Century*. Cambridge: Cambridge University Press.

López Yepes, J. (1973). *Historia urgente de las cajas de ahorro*. Madrid, Confederación Española de Cajas de Ahorro.

Maixé-Altés, J. C. (1994). "Mercantile and banking practices in eighteenth-century Catalonia". In P. Subacchi (ed.), *Recent Doctoral Research in Economic History*. Milan: Bocconi, 81-92.

Maixé-Altés, J. C. (1995). "Los instrumentos jurídicos de la circulación mercantil y la actividad económica catalana en el siglo XVIII". In C. Martínez Shaw (ed.) *El Derecho y el Mar en la España Moderna*. Granada: Biblioteca Chronica Nova de Estudios Históricos, Publicaciones de la Universidad de Granada, pp. 357-382.

- Marínez Alcubilla, M. (1877-1880). *Diccionario de la administración española : compilación de la novísima legislación de España peninsular y ultramar* (3rd edition). Madrid: Impr. de la V. é hija de A. Peñuelas.
- Martínez Soto, A.P. (2003). Las cajas de ahorros españolas en el siglo XIX. Los orígenes del sistema (1839-1875). *Papeles de Economía Española*, no. 97, 174—204.
- Martínez Soto, A.P., Cuevas, J. & Hoyo, A. (2005) La historia económica de las cajas de ahorros españolas. Una perspectiva institucional y regional del ahorro, 1830-2004. *Papeles de Economía*, 105, 6-16.
- Memoria y Cuenta General del Monte de Piedad y Caja de Ahorros de Madrid en el año 1888.* (1888). Madrid: Imprenta de José Rojas.
- Muzzarelli, M.J.(2001). *Il denaro e la salvezza: L'invenzione del Monte di Pietà*, Bologna: Il Mulino.
- Muzzarelli, M.J. (2003) Monte di pieta. In *The Oxford Encyclopedia of Economic History* (vol 4, p.1). Oxford: Oxford University Press.
- Muzzarelli, M.J. (2007). I Monti di Pietà fra tradizione e innovazione: una storia in cinque punti. In P. Avallone (Ed.), *Prestare ai Boveri. Il credito su pegno e i Monti di Pietà in area Mediterranea (secoli XV-XIX)* (p.31-42). Napoli: Consiglio nazionale delle ricerche, Istituto di studi sulle società del Mediterraneo.
- Murdoch, J. (1999). The Microfinance Promise. *Journal of Economic Literature*, 37(4), 1569-1614
- Murdoch, J. (2000). The Microfinance Schism. *World Development*, 28(4), 617-629.
- Nadal, J, Sudrià, C. (1981). *Història de la Caixa de Pensions*. Barcelona: Edicions 62.
- North, D.C. (1990). *Institutions, Institutional change and Economic Performance*. Cambridge UK: Cambridge University Press.
- Ó Gráda C. & White, E.N. (2003). The Panics of 1854 and 1857: A View from the Emigrant Industrial Savings Bank. *The Journal of Economic History*, 63(1), 213-240.
- Ó Gráda, C. (2008a). How the Poor (and not-so-poor) Saved - Savings Banks in Mid-Nineteenth Century Ireland and America. *Working Papers* 200822, School Of Economics. University College Dublin.
- Pascual, P. (1990). *Agricultura i industrialització a la Catalunya del segle XIX. Formació i desestructuració d'un sistema econòmic*. Barcelona: Crítica.
- Pascual, P. (1991). El mercat financer i el sistema bancari català, 1844-64” en Nadal, J., Maluquer, J. & Sudrià, C. (Eds.). *Història Econòmica de la Catalunya Contemporània* (vol 3 p. 351-378). Barcelona: Enciclopedia Catalana.
- Ray, D. (1998). *Development Economics*. Princeton. Princeton University Press.

Ray, D. (2000). What's New In Development Economics? *The American Economist* 44, 3-16.

*Reglamento para la Caja de Ahorros de la provincia de Barcelona y para el Monte-Pio Barcelonés agregado a la misma. Aprobado por Real Decreto de 24 de Noviembre de 1853.* Barcelona: Librería de Esteban Pujal, 1853.

Reis, J. (2005). Economic Growth, Human Capital Formation and Consumption in Western Europe Before 1800. In Allen, R.C., Bengtsson, T. & Deribe, M., *Living Standards in the Past: New Perspectives on Well-being in Asia and Europe* (p. 195-227). Oxford, UK: Oxford University Press.

Remenyi, J. & Quiñones, B.(2000). *Microfinance and poverty alleviation: case studies from Asia and the Pacific*. New York: Pinter Publishers, Ltd.

Rodrick, D. (2000). Institutions for High-Quality Growth: What they are and How to Acquire Them. *Studies in Comparative International Development*, 35 (3), 3-31.

Rodrik, D., Subramanian, A. & Trebbi, F. (2004). Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development. *Journal of Economic Growth*, 9(2), 131-165.

Ross, D. (2002). Penny banks in Glasgow, 1850-1914. *Financial History Review*, 9, 21-39.

Rousseau, P.L. (2005). Emerging Financial Markets and early US Growth. *Explorations in Economic History*, 42(1), 1-26.

Rothschild, M. y J.E. Stiglitz. (1976). Equilibrium in competitive insurance markets: An essay in the economics of imperfect information. *Quarterly Journal of Economics*, 80, 629-649.

Rumeu de Armas, A. (1944). *Historia de la previsión social en España, : cofradías, gremios, hermandades y montepíos*. Madrid: Revista de Derecho Privado.

Samy, L. (2008). The Building Society promise: Building Societies and Home Qwnership, c.1880-1913. *Oxford University Discussion Papers in Economic and Social History*, 72, October 2008,

Seibel, H.D. (2005). Does History Matter? The Old and the New World of Microfinance in Europe and Asia. *Working paper* 10, University of Cologne, Development Research Centre.

Stigler, G.J. (1961). The Economics of Information. *Journal of Political Economy*, 69(3), 213-225.

Sudrià, C. (1982). Desarrollo industrial y subdesarrollo bancario en Cataluña, 1844-1950. *Investigaciones económicas*, 18, 137-176.

- Sudrià, C. & Pascual, P. (1999). Financing a railway mania: capital formation and the demand for money in Catalonia, 1840-66. *Financial History Review*, 6, 127-145.
- Taylor, A. (2002). *Working Class Credit and Community since 1918*. Basingstoke, UK: Palgrave.
- Tebbutt, M.(1984). *Making Ends Meet: Pawnbroking and Working-Class Credit*. London: Methuen.
- Tedde, P. (1989). Las crisis bancarias en España: una perspectiva histórica. In García Delgado, J.M., Pedreño Muñoz, A., & Velarde Fuertes, J., *El sistema financiero de la economía española* (p. 13-34). Madrid: Economistas Libreros.
- Tortella, G. (1973). *Los orígenes del capitalismo en España*. Madrid: Tecnos.
- Titos Martínez, M.(1976). *El monte de piedad de Santa Rita de Casia losd rígenes del crédito en Granada (1740-1866)*. Granada: Seminario de Estudios de la Caja de Ahorros y Monte de Piedad de Granada.
- Von Pische, J.D. (1996). *Finance at the frontier*. Washington DC: EDI Development Center, The Works Bank.
- Wadhwani, R.D. (2004). Citizen Savers: Family Economy, Financial Institutions, and Public Policy in the North-eastern United States. *Enterprise & Society*, 5 (4), 617-624.
- Wu, J.L., Hou, H. & Cheng, S.Y. (2010). The dynamic impacts of financial institutions on economic growth: Evidence from the European Union, *Journal of Macroeconomics*, 32 (3), September 2010, 879-891.
- Yunus, M. (1997). *Banker to the Poor*. New York: Public Affairs.

## Notes

---

<sup>1</sup> Hollis & Sweetman (1998, 2001) are the first authors to attribute the term microcredit and microfinance to the task carried out by the Irish Loan Funds, institutions of philanthropic origin dedicated to lending small quantities.

<sup>2</sup> Von Pische (1997) raised, for developing countries, the idea that there is a “*frontier*” between the official banks and the financial institutions specialized in the low-income sectors. Ray (1998) and Floro & Ray (1997) understood the complexity of the financial system of some developing countries and reached the conclusion that it is composed of a formal sector and of an informal sector, which complement each other and which transfer clients and resources between each other.

<sup>3</sup> Granada (1839), Santander (1839), Sagunto (1841), Valladolid (1841), Sevilla (1842), Barcelona (1844), Burgos (1865), Valencia (1851), Vitoria (1876), Málaga (1863), Sabadell (1859), Mataró (1863), Córdoba (1878), Manresa (1865), Alcoy (1875), Zaragoza ( 1876), La Coruña (1876), Tarrasa (1877), Alicante (1877), Segovia (1877), Ávila (1878), Linares (1879), Orihuela (1879), San Sebastián (1879), Pontevedra (1879), Santiago (1880). See Antón Ramírez (1876), p.187-198; **Martínez Soto (2000), p.593.**

<sup>4</sup> The Royal Order of 3 April 1835 indicated in this respect: “...unfortunately it is not possible of course to consider among us the Savings Banks in the same way as they are established in other countries ...the day will arrive when the credit of the State is fully recovered and the public funds will be a safe and advantageous refuge for the savings of the poor; but until confidence is felt again... we have to rely entirely on the spirit of philanthropy which inspires the rich”. Real Orden 3 de abril de 1835.

<sup>5</sup> The confluence of the two institutions was a generalized but not absolute phenomenon. There are some exceptions, such as the Caja de Ahorros de Sabadell, which was created without any precedent of *monte de piedad* in the city (Benaül & Sudrià 2008).

---

<sup>6</sup> The MPB maintained its independence until 1923, when it merged with a new savings bank which had opened in the city, the Caja de Pensiones para la Vejez y el Ahorro, created in 1904. In 1990 this institution took over the Caja de Ahorros y Monte de Piedad de Barcelona which was created in 1844. The Caja de Pensiones para la Vejez y de Ahorros de Cataluña y Baleares, "la Caixa", is one of the most important financial institutions in Spain.

<sup>7</sup> The history of the Monte de Piedad de Barcelona was marked by the constant dispute between the Congregación de Nuestra Señora de la Esperanza and the administration of the MPB. The representatives of the two institutions made up the General Council of the *Monte de Piedad* whose profits were destined to support the Congregation.

<sup>8</sup> The Bank of Barcelona, in the initial years of its existence, also exceptionally offered credit guaranteed by goods (Blasco & Sudrià, 2009, p.62).

## Tables

Table 1. Microfinances institutions in the mid-19<sup>th</sup> century Barcelona and its branches.

Institution	Founding Date	Savings	Credit upon pledge
Monte de Piedad (MPB)	1751	x	x
Caja de Ahorros de Barcelona	1844	x	
Montepío Barcelonés *	1846		x
Branch 1 (Raval)	1881		x
Branch 2 (Raval)	1889		x
Branch 3 (Gracia)	1897		x
Branch 4 (Sant Martí)	1910	x	x
Branch 5 (Sants)	1921		x
Branch 6 (Barceloneta)	1928	x	x

\* The branches were located in neighborhoods of Raval, Gracia, Sant Martí, Sants and Barceloneta.

Source: Own elaboration, Actas de la Caja de Ahorros de Barcelona y Montepío Barcelonés 1844-1907. Arxiu Històric de la Caixa (AHC).

Table 2. Conditions of Loans. Monte de Piedad (MPB) and Montepío Barcelonés.

Conditions of loans	Montepío Barcelonés Regulation 1853	Monte de Piedad (MPB) Regulation 1751, 1858, 1861
Guarantee		
Jewels and Metals	X	X
Fibres, Textiles and Clothes	X	X
Other goods*	X	
Certificates of Indebtedness	X	
Furniture	X	
Tools	X	
Kitchen utensils		X
Loan		
Amount of principal	50-3.000 reales	Varies according period
Interest	6%	Regulation 1751 Free for all the loans  Regulation 1861 Free for loan <800 reales 5% for loans >800 reales
Maximum Time for redemption**	12 months	6 months
Days open to the public per week	3	Varies according period

\* Sugar, paper, coffee, cocoa, tobacco, wax.

\*\* The loan could be renewed.

Source: Own elaboration, Reglamento de la Caja de Ahorros de la Provincia de Barcelona y para el Montepío Barcelonés, Barcelona, 1853; Constituciones del Real Monte de Piedad, 1751; Monte de Piedad, Actas 1836-71, Arxiu Nacional de Catalunya (ANC).



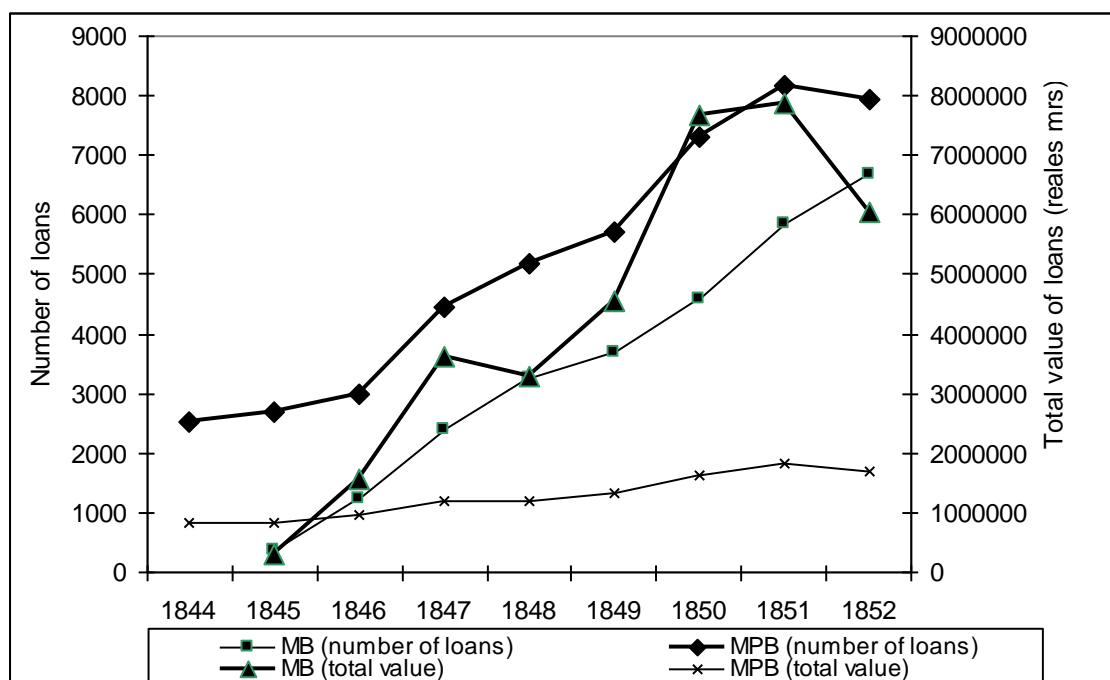
Table 3: Secured loan institutions and value of the credit in accordance with the average day's wage of a factory labourer (Ildefons Cerdà) in Barcelona, 1848\*

	Monte de Piedad ( MPB)	Montepío Barcelonés
Number of loans	5195	3264
% Women	72	35
Value of the credit (in day's wages)		
Micro (>21 days' wages, in %)	74	34
Small (21-26 days' wages, in %)	19	35
Medium (>57 days' wages)	7	31

Source: Own elaboration, Monte de Piedad, Libros de Contaduría, 1848, Arxiu Nacional de Catalunya (ANC); Caja de Barcelona y Montepío Barcelonés, Estadísticas, Arxiu Històric de la Caixa (AHC).

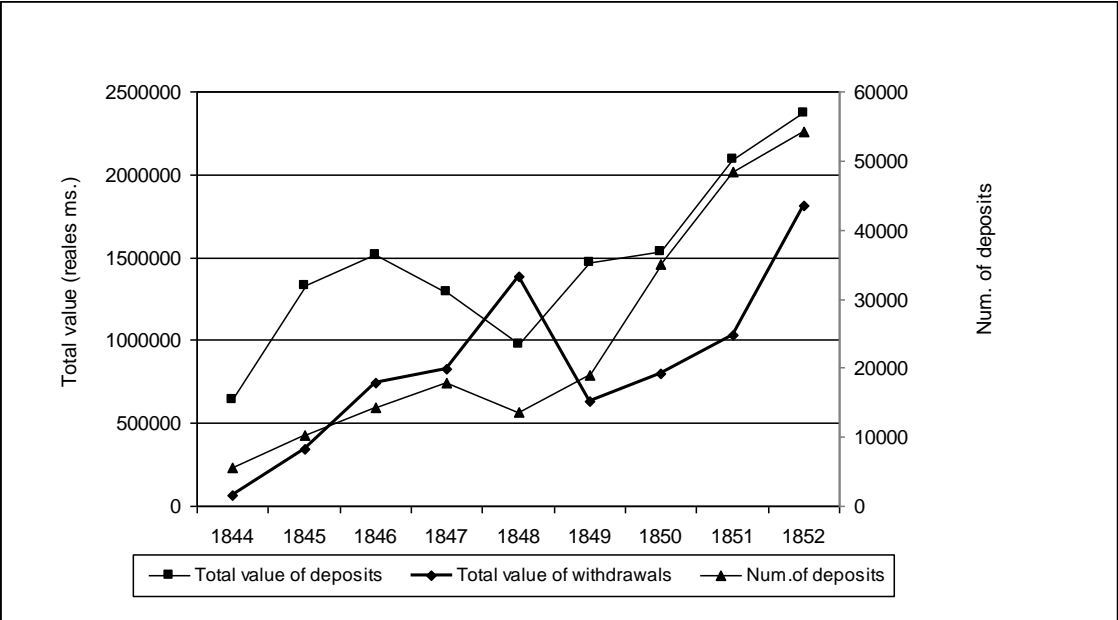
\* Ildefons Cerdà, Teoría General vol II, p.645 fixes the average daily wage of a factory labourer as 9'40 reales for the year 1856.

Table 4: Value and number of loans by Montepío Barcelonés (MB) and by Monte de Piedad de Nuestra Señora de la Esperanza de Barcelona (MPB), 1844-1852.



Source: Own elaboration, Caja de Barcelona y Montepío Barcelonés , Estadísticas, Arxiu Històric de la Caixa (AHC); Monte de Piedad, Estadísticas, Arxiu Nacional de Catalunya (ANC).

Table 5: Deposits and withdrawals by Caja de Ahorros de Barcelona, 1844-52.



Source: Own elaboration, Caja de Barcelona y Montepío Barcelonés , Estadísticas. Arxiu Històric de la Caixa (AHC).

Table 6. Main borrowers of the Montepío Barcelonés, 1847-48 (in reales).

<b>Year 1847</b>				
<b>Surname</b>	<b>First name</b>	<b>Trade</b>	<b>Value of Credit</b>	<b>Num. of loans</b>
Ramonacho y Cot	José	n/d	20000	1
Torrents	José	Trader colonies	20800	3
Tarruella	Magín	Manufacturer thread	21000	2
Trepát	Juan	Participates lime business	22500	4
Busquets	José	Veil weaver	23800	6
Martí	José	n/d	24000	5
Carbonell	José	Silk agent, Manufacturer thread	24000	1
Pujol	Lorenzo	Trader	30000	2
Rosell	José	n/d	30000	2
Murtra	Antonio	n/d	30000	2
Felip	Victoriano	Trader	32000	1
Clara	Ramón	Money Broker	34000	1
Solá	Ramón	Manufacturer Fabrics	36530	9
Valdés	Mucio	n/d	37800	6
Canudas	Ramón	Manufacturer thread	38000	3
Capdevila e hijos		Manufacturer Yarn and Fabrics	56000	3
Larrosa	Pedro	Trader	63800	7
Costa	Gabriel	n/d	66000	3
Pedralves	Luís	n/d	110540	9
Plana	Pedro	Manufacturer fabrics	192000	4
Llabayol	José	Manufacturer fabrics	221040	17
<b>Year 1848</b>				
Mir	Salvador	Trader fabrics	20000	1
Trepát	Juan	Participates lime business	22500	2
Capdevila e hijos		Manufacturer Yarn and Fabrics	28000	1
Pujol	José	Money broker	30000	2
Busquets	José	Veil weaver	41420	9
Rosell	José	n/d	56160	2
Durán	Ramón	Trader	60000	1
Valdés	Mucio	n/d	64100	7
Buxadós	Antonio	n/d	68810	6
Larrosa	Pedro	Trader	175200	13
Plana	Pedro	Manufacturer Fabrics	182000	4
Pedralbes	Luís	n/d	232320	6

Source: Montepío Barcelonés, Libro de empeños. Gèneros 1847-48, Arxiu Històric de la Caixa (AHC).  
n/d: not disclosed