

# H-Net Reviews

in the Humanities & Social Sciences



**Irving Stone.** *The Global Export of Capital from Great Britain 1865-1914: A Statistical Survey.* New York: St. Martin's Press, 1999. xii + 430 pp. \$75.00 (cloth), ISBN 978-0-312-21845-4.



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This volume makes available one of the most important data sets for nineteenth- and early twentieth-century world economic history—the annual money calls for overseas securities issued in Great Britain, aggregated and cross-tabulated by receiving country, sector of borrower, and type of security. This new data set provides significant new quantitative information regarding the financial development, national capital formation, industrial development, and balance of payments for the principal capital importers of this era. Displayed in sixty-seven tables, the production of these data combine the successive efforts of Leland Jenks, Matthew Simon and the present author, Irving Stone, Professor of Finance at Baruch College, City University of New York.

To date, students of the massive long-term capital outflow from Great Britain in the late-nineteenth and early-twentieth century have had to rely on a diverse and incomplete set of sources. Building on the work started in the 1930s by Leland Jenks, Matthew Simon published in the late 1960s the first comprehensive *annual* time series of British new issue calls for overseas securities, 1865-1914. Specifically, Simon supplied annual time series for (a) the total of British money calls for overseas securities, with breakdowns by (b) continent, (c) political status (independent vs. British Empire), (d) climate and ethnic

group (regions of recent settlement, tropics, others), (e) sector of issuer (social overhead, extractive, manufacturing), and (f) type of issuer (private, mixed, government). Before his untimely death in 1967, the only national annual time series to emerge from Simon's research efforts was a brief study of British new issues on behalf of long-term Canadian borrowers.

The value of Simon's contribution rested on his efforts to surmount important analytical and data problems. In particular, Simon decided to collect data on money calls, whenever they occurred, not the nominal totals announced at the date of first issue. Thus, he produced time series that were consistent with the flow-of-funds methodology. Second, although the principal source of British new issue data, *The Investors' Monthly Manual*, was thoroughly mined, the *IMM* was subject to reporting errors and incomplete coverage. By consulting a much wider set of periodical and other sources, Simon and his assistant, Harvey Segal, were able to correct and substantially augment Jenks's original efforts. Third, he offered a more comprehensive treatment of conversions, including only the "export conversions," the conversions that involved new money called for overseas borrowers.

The situation improved dramatically when Lance E. Davis and Robert A. Huttenback (hereafter D&H) pub-

lished *Mammon and the Pursuit of Empire: The Political Economy of British Imperialism, 1860-1912* (New York, 1986). Starting with many of the same primary sources as Jenks and Simon, D&H produced a new data set covering *both* home and overseas new issues in Great Britain, 1865-1914. Their tables displayed the total capital called up, as well as the book's principal political divisions (home, empire, foreign), the empire (responsible governments, dependent colonies, India), and each of these divisions by private vs. government issuers. D&H also presented breakdowns by industry and type of government issuer, and industry and continent. The advantage of the D&H data over the Jenks-Simon data was their parallel construction of home and overseas new issue data. They were also able to revise and correct the Jenks-Simon first pass at the primary sources. Finally, the D&H data were grouped so that questions of political economy and empire might be raised. Notably, D&H presented this data in five-year periods, 1860-1864, 1865-1869 ..., 1905-1909, 1910-1914. While quinquennial totals and averages are a good means to present longer term trends, the absence of *annual* data meant it was not possible to investigate longer term trends with other statistical methods or shorter term (e.g., business cycle) fluctuations, a fundamental characteristic of home and overseas new issue behavior. Perhaps just as importantly, the D&H volume did not present data by country.

The significant contribution of the statistical compendia under review here is to present *annual, country-specific* money call data for the twenty-five principal borrowing nations. Furthermore, the data are broken down by industry, political status, climate and ethnic group, type of issuer, and type of security. In an introductory essay Stone provides essential information on the data sources and an excellent summary of the main patterns of money calls for overseas borrowers. An appendix reprints Simon's description of the key analytical decisions that guided the data collection and aggregation procedures employed by both Simon and Stone.

Note that the Jenks-Simon-Stone primary data sources have weaknesses-weaknesses which Stone discusses in his highly useful survey of the rate and direction of money raised for overseas borrowers. First, these data

do not estimate the amount of direct investment through retained earnings. Thus, only part of overseas long-term financing is covered by the Jenks-Simon-Stone estimates. While this was not a major source of overseas funding for railroads and utilities, it was not a trivial source of funding for foreign investment businesses engaged in manufacturing, distribution, finance, and other service sectors. Second, while these data are an excellent estimate of monies raised from issuing securities, these data do not give a precise estimate of the net value transferred abroad. Some of the money raised stayed in Britain with vendors or the London accounts of the borrowers. To date, in nearly all cases where independent balance of payment data exist, the older Simon money call times series demonstrate similar patterns in level and timing with estimates of net capital outflows derived from the balance of payment data. Only research with these new comprehensive Stone estimates will settle the extent of this weakness.

It is my belief that many economic and financial historians of the late nineteenth and early twentieth century will find this volume highly useful. Historians of each nation now have comprehensive, consistent, and comparative data on the character and extent of long-term international finance raised in Great Britain. It is also my strongly felt belief that with so much information on so many nations, this statistical survey will probably disappear from libraries very quickly unless reference librarians are alerted and told to place it in their non-circulating reference collection.

Michael Edelstein is author of *Overseas Investment in the Age of High Imperialism. The United Kingdom, 1850-1914* (New York, 1982) and "Foreign Investment and Accumulation, 1860-1914," in R. C. Floud and D.N. McCloskey (eds.), *The Economic History of Britain since 1700. Vol. 2: 1860-1939*, Second Edition (Cambridge, 1994).

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