*Glocal* finance in Latin America: The market for Latin American municipal bonds in the London capital market (1880-1929)

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Presented at the  
Annual meeting of the Business History Conference  
Globalization and De-Globalization: Shifts of Power and Wealth

Cartagena de Índias, Colombia  
23-26 March 2019
1.0 Introduction

Latin America has a remarkable and unstable history in the financial markets. From its early entrance in the 1820’s to its many ups and downs, the region has been analysed and studied as a showcase for many new financial practices and ideas, and also considered an original place for new theories on economic development and combat on inflation. But there is one field in the financial history of Latin America barely revisited by historians: municipal bonds.
There is a scarce literature on the history of municipal finance, especially for Latin America and for the period of this work. We can find some scant references on the market for municipal bonds of Latin American cities in the 19th-20th Century in consolidated researches on broad financial history of Latin America, such as of Marichal (2012, 1989) and Stallings (1990). Henceforth, this prospective paper will bring some initial research results on municipal finance of Latin American cities in a special time of wide prosperity for the export economies and high international market liquidity.

Latin American cities were regular borrowers in the capital markets, specially in London, the traditional financial partner of their Central Governments. Even middle-size cities such as Pelotas (Brazil) Concepción (Chile) and Santa Fé (Argentina) had direct access this type of funding, in a region marked by chronic lack of capital.

But even in Latin America this is an unknown history. Long gone were the adventurous times of cities in the global markets for many countries in the region. In Brazil, the prohibition of municipalities to get access to the capital markets ranges from the new constitution of 1988 with a series of new laws and resolution reinforcing this prohibition. In Argentina, despite cities do have access to the capital markets, the process to get funding is a long and tortuous bureaucratic via crucis, which makes this option very unattractive.

The first part of this paper will explain why municipal finance is regarded with such worry by the federal governments of Brazil and Argentina nowadays, given its good record one hundred years before. The second part will depict the global market for municipal bonds in London, the main market for this kind of securities back then. The third section will the state of Brazilian and Argentine cities in the London Stock Exchange, with a showcase of the cities of São Paulo and Buenos Aires between 1908 and 1928. The fourth part will be dedicated to some open conclusions on the topic and on the importance to reinstate the debate on financializing cities nowadays in Latin America.
2.0 The forbidden fruit

The 1980’s were a sour and unforgettable time for the economies of Latin America. High external indebtedness, hyperinflation and external shocks created a grim scenario of economic and social crisis. All the major economies of the region embarked on a loose fiscal time in the 1970’s due high liquidity of financial markets, the recycling of petrodollars from the oil producers (after the first oil crisis of 1973) and the well-regarded ISI policies of the regional governments.

With the ISI model at its height and plenty of capital available in the international markets, the stage for high indebtedness was sat up. With low yields on American and European securities and the abundant capital from the oil producing countries eager to find some destination, the big banks of United States, Japan and Europe looked at Latin American countries as a viable investment spot (Stallings, 2014, p. 61). This combination of adjustable rates, syndicated lending and higher yields, accelerated the indebtedness of Latin American economies with private banks. Bank lending jumped from 16% on Latin America’s external public debt in 1960 to over 56% in 1980. (Bulmer-Thomas, 2014, p. 352)

Brazil and Argentina were among the heaviest borrowers. Between 1975 and 1980 the external debt of Brazil increased by 175% reaching US$57,2 billion. Argentina had its external debt increased threefold, reaching US$ 27,4 billion (Bárcena, 2014, p. 13). The loans were made mainly through private banks with adjustable rates attached to the LIBOR rate in short/mid term contracts to provide funds for their budget deficits and to control their current accounts, heavily negative given the outflow of dollars in order to keep the purchase of oil and capital goods.

The results are well known. The decade of 1980 was of hyperinflation and economic crisis, taking the Latin American economies out of capital markets until the joint effort of Latin American governments, multilateral organizations (IMF, World Bank), US government and the private Banks with the Baker Plan and, later, Brady Plan in 1989.

One of the main problems Brazil and Argentina (and all Latin Americans) had to tackle, according to the IMF was their fiscal indiscipline. The hyperinflation was one of the evillest
consequences of the uncontrolled budget deficits and the high indebtedness, and society, specially the poorest, were paying the lion share of the bill. One of the main problems of Brazil and Argentina was the indebtedness of their subnational entities (States, Provinces and Municipalities), one of the most complicated features of their fiscal reform programs. As Federations, Brazil and Argentina had to operate some delicate political procedures in order to refrain their States and Provinces to take new loans, with Banks and capital markets, enacting some extreme laws in the case of Brazil and some very restrictive in the Argentine case. So, how Brazil and Argentina pulled their subnational entities out of the capital markets, in which their flourished 100 years before?

2.1 Brazilian model: prohibitive

During the military regime (1964-1985), subnational entities and state companies were eagerly out in the market looking for fresh loans. The 1975 National Program of Development (Programa Nacional de Desenvolvimento – PND II) stimulated sectors of the heavy and transformation industry with credit subsidies and lower importation tariffs for capital goods and other industrial inputs. In order to take advantage of such benefits and subsidies, States and Municipalities created a huge number of state companies. In 1980 there were 654 state companies in Brazil which 456 belonged to States and Municipalities. (Bulmer-Thomas, 2014, p. 344).

The other problem was Federal Intervention. Despite being a Federal Republic, Brazilian government was, and it is until today, highly centralized. In 1967 the Federal Government reduced by half the transference of fiscal resources from the federal budget to States and Municipalities, leading these subnational entities to look for foreign funding in order to enjoy the benefits of the spectacular economic growth and to meet the PND II investment targets (Lago, 2014, p. 225). The results were of a high indebtedness of subnational entities. In 1989 the net debt of States and Municipalities accounted for 5,5% of the GDP, increasing to 14,5% in 1998, which represented 39% of the total public debt (Giambiagi and Rigolon, 1999, p. 117). This was an important part of Brazil’s structural fiscal problems. In order to
stabilize its fiscal and monetary situation, the Federal Government had to deal with its subnational entities.

The fight of the Brazilian government against the indebtedness of its subnational entities begun in 1993, with the third constitutional amendment (Art. 5º). It prohibited any subnational entities to issue debts in the market until 1999, with the exception of loans earmarked to pay judicial debts, known as precatórios. It wasn’t enough. A big scandal uncovered in 1997 had shown how the than Mayor of São Paulo, Paulo Maluf, had issued bonds between 1993 and 1995 in the domestic market to pay inexistente precatórios of US$2.1 billion. The money was used to enrich some banks, corrupt officials and to build very popular infrastructure works that helped to elect Maluf’s successor (and Secretary of Treasure) Celso Pitta in 1996.¹

Following the first exchange crisis of the new currency, the Real, in 1998, and suffering from the irresponsible expenditure and indebtedness of State Banks and other state companies, the federal government started a big privatization program and enacted the Fiscal Responsibility Law in 2000. This Law as a milestone for Brazil’s economy, becoming the first manifesto for fiscal discipline. In 2003 e The Resolution nr.43 of the Federal Senate regulated the States and Municipalities debts, forbidden its access to capital markets. This prohibition was in the context of a big debt renegotiation between the subnational entities and the Federal Government, a much-needed step to achieve fiscal and monetary balance. Since then, some unsuccessful attempts have been made by some municipalities, such as São Paulo in 2011 and Rio de Janeiro in 2012, appealing to a more flexible legislation with the Federal Government.² The fears of the past have been the main argument of Brasília to deny this access of states and municipalities to the capital markets once again.

2.2 Argentine model: restrictive

¹ Folha de São Paulo 29 October 1998
Dealing with provincial and municipal debts was not easy for the Federal Government of Argentina as well. Though Provinces and Municipalities in Argentina can issue bonds in the international and domestic markets, the process is very complex and needs a series of permissions from municipal, provincial and federal authorities, which turns the processes of issuing a simple bond in the international markets very costly and difficult. As in the Brazilian case, fears of the past played a great role in this system.

After the default and economic crisis in the 1980’s, Argentina embarked on one of the most radical stabilization programs of Latin America. The big stabilization programs backed by the IMF proposed privatization of many state companies, deregulation of the financial system and fiscal reforms. Moreover, in order to combat the hyperinflation of more than three figures, the government of Carlos Menem created in 1991 a Currency Board and enacted a monetary reform, establishing the convertibility of the peso to the dollar at a fixed exchange rate of one-to-one. The immediate consequences were the end of the hyperinflation and an accelerated economic growth on the aftermath of the reforms. (Cortés, 2003)

After the convertibility, Provinces and Municipalities ran to international markets to issue debts in dollar. And that was for two reasons. First, because they could. The federal liberties regarding the provinces guaranteed them easy access to international markets. Besides, with the fixed exchanged rate one-to-one, it was easier and cheaper to bring home the much-needed resources to develop their provinces and municipalities. The second reason was because they needed. One of the elements of the reforms enacted in the 1990s was a pact between the Federal Government and the subnational entities increasing the administrative responsibilities of the later. In 1993 the Law 24.195 known as Federal Education Act pushed all the responsibilities of the non-university education levels to the provinces and municipalities, increasing the schooling time from seven to ten years (Álvarez et al., 2014, pp. 6–7). This resulted in higher administrative costs to the subnational entities, at the same time the international funding was available.

The results were a big increase in the external account deficits, the major problem of the Argentine economy that led to the catastrophic crisis of 2001 (Cortés, 2003). In fact,
issued bonds represented 25% of the subnational entities’ debts, with interest rates considerably higher comparing the first type of financing: public loans from the Federal Government (Álvarez et al., 2014, p. 14).

After the excruciating years of 2001-2003, the Casa Rosada started a national pact to control de fiscal deficits and the heavily negative external accounts. In 2004 they approved the Law 25.917, the *Regime Federal de Responsabilidad Fiscal* (Law of Fiscal Responsibility). According to this law, subnational entities could only issue bonds that didn’t surpass 15% of the Indebtedness Index (created with the law), and had to look after provincial parliament permissions (Municipalities had to look also for their own municipal councils’ permissions before appealing to the provincial level). After that, subnational entities needed an express authorization of the Ministry of Finance and the Central Bank. As a result, between 2005 and 2009 only one municipal debt was issued in the domestic market, with meagre 175 million pesos (USD 58 million) (Álvarez et al., 2014, p. 24).

The Argentine subnational entities can still issue bonds in the financial markets (domestic and international). But the process is long and complicated. The two main financial instruments (Treasury Notes and *Fideicomismo Financiero*), besides all the permissions, have a five-step procedure to comply with no guaranteed deadlines. If the process fails in one step, it has to begin all over again, which can take an indefinite amount of time, or even get lost in the process (Dopazo, 2014).

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Despite the troubled history of Brazilian and Argentine municipal finance in the last decades, the subnational entities of the biggest South-American economies had a golden era one hundred years before. São Paulo and Buenos Aires (the municipalities) bonds were among the best investments in the London Stock Exchange. In fact, the period between 1880 and 1929 was of prosperity and optimism to municipal finance in the whole Latin America, where the bustling export economies watched their global cities growing with immigration and new investments.
3.0 Municipal bonds in the London Stock Exchange 1880-1929

The period of 1880-1925 presents the *debut* of foreign municipal bonds in the international markets (i.e: London Stock Exchange). The first foreign municipal bonds issue were of Boston (three loans, of c.a £2 million) and New York City (two loans, of c.a US$ 16,5 million) in 1876. From the 1880s the presence of these types of securities was on a rise. In 1880 there were four loans (all American cities) of £6,903,830. With the turn of the century, the London Stock Exchange had 12 foreign cities with more than £12 million quoted, including loans payable in pound sterling, US dollars and Italian liras. The next decade saw the real golden age for municipal bonds, with a rise to 43 cities with more than £70,8 million, paid in pound sterling and US dollars in 1913. This was also a truly globalized age for the cities, with investments options ranging from Moscow to Osaka, Baku to São Paulo, Stockholm to Alexandria.⁴ Previous to the War, The Economist praised the investments in municipal securities with great optimism stating that “One of the very best form of investment for quiet folks, who wish to compromise between an attractive yield and perfect security, is to be found in municipal issues at home, abroad or in the colonies”⁴

Despite the disruptive effects of the World War on the financial markets, the foreign municipal bonds recovered quickly in the London Stock Exchange by the end of the conflict, dealing more than £79,5 million in bonds and stocks in 1918 with 46 quoted cities and corporations. Scandinavian and Latin-American cities were specially represented among the borrower cities with eight and seventeen cities, representing 16% and 37% of the amount of the lent capital. The harsh decade of 1920 for the European markets led to an increasing channelling of investments to the US markets and its wealthy investors. The London Stock Exchange slightly increased its foreign municipal assets to £79,7 million with 48 corporations. These were the times when the American dollar diplomacy towards Central

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³ *Investors Monthly Manual, The Economist 1876-1925*
⁴ *The Economist* 25 October 1913
America and Caribbean pulled the national and municipal debts out of European markets, as well as with some South-American and Canadian stocks and bonds.

The securities market went through a true revolution in liquidity from the end of the 19th century to the eve of the first World War. The continuous rearrangement and hierarchization of the capital markets through its stock exchanges opened wide fields for capital flows in a global scale. From the truly global Stock Exchanges such as London and Paris, to more regional ones, like Berlin and Vienna, and to the local ones like Johannesburg and Valparaíso, the amount of securities had an impressive surge, increasing the liquidity and stability of the capital markets (Michie 2006).

From 1880 the revolution in communication technologies (telegraphs and later telephones) and a stable monetary system from the widely accepted gold standard lowered the risks and opened investment fields to a broader range of new securities (Winseck and Pike, 2007). This is the context of the rise of municipal bonds in the global markets as an investment option. This increasing organization of capital markets around the globe and the rapid transformations of the urban centres allowed the municipal authorities to try new forms of financing in order to attract capital inflows. Big urban projects like canals, tramways, docks and other public works were new demands of the growing cities in Europe and the Americas, the later also hit by the big immigration waves from Europe on its big cities - also regular borrowers at the London Stock Exchange - like New York, Buenos Aires, and São Paulo (Osterhammel 2014; Rosenberg 2012)

Municipal authorities were often arguing with central governments on their freedom to negotiate and contract external loans. The federal states in United States and Latin-American countries such as Brazil, Argentina and Mexico went through several quarrels on the matters, presenting an interesting analytical frame to investigate the global governance through cities. Global cities, especially those outside the north Atlantic axis, went through a unique path of prosperity given the higher liquidity and enhanced exports, often diverging from their national economies. This accelerated economic development of city-clusters unveiled a series of conflicts between national and local, the new and the traditional, central governments and global elites. Talking about global cities in the
international capital markets goes beyond the national and local, when we realize that the very local instance of cities actually worked at the most globalized spots within the world economy.

The junction of these new features (growth of cities, immigration, lower risks, higher liquidity and improved communications) opened the space for the rise of Municipal Bonds, making these class of securities a truly global investment in the dawn of the 20th century. This was the very case of Brazil and Argentina. Cities like Buenos Aires, Rio de Janeiro, São Paulo and Rosario were places were the export sectors were highly sophisticated and prosperous, attracting European immigrants looking for new opportunities. This influx of immigrants and the fiscal growth of the cities allowed the municipalities to float loans in the international market to build their urban infrastructure and to refinance their debts.

4.0 Latin American municipal bonds in the London Stock Exchange 1889-1929

The first Latin American cities to issue debts in the LSE were Rosario (Argentina) and the city of Santos, the coffee outlet of Brazil, in 1888. The very reason these cities were the first is symptomatic of the economic moment of the two biggest south American economies. Brazil and Argentina exports were booming. The period of 1880-1929 were one of booming exports for the Latin American economies. The net terms of trade were on the rise and the influx of hard currency stimulated imports and cheaper external loans. A good share of this capital was reinvested in the export sectors, booming the exports of the region main commodities, like coffee, rubber and hides for Brazil, and grain and meat for Argentina. One of the consequences of this booming export sectors was its facilitated access to the capital markets, and in this case, the cities’ access.

Brazil was the world biggest coffee producer and exporter. By the 1880’s Brazil accounted for 59% of the world coffee exports. In the 1920’s it reached the 90% (Topik and

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5 The new researches on the first export era of Latin American states that the export sectors in fact were highly positive for the regional economies, and not just a tool of control of the core economies over the peripheries according to the structuralists. Kuntz shows how the profits of the export sector of eight Latin American economies were in fact reinvested producing direct and indirect benefits for the economies. See Kuntz, 2017 and for Argentina and Brazil’s cases chapters 2 and 4 of the book.
Samper, 2006, p. 122). The lion share of all this coffee was produced in the State of São Paulo and exported by its main port, Santos. The coffee was the mainstay of Brazilian economy and the Brazilian and Paulista finance. From the 1900, a good part of the loans floated by the State and the cities of São Paulo and Santos had coffee as collaterals.

But despite the hegemony of the green beans in the Brazilian economy, there were other flourishing export sectors that allowed cities up north and down south to compete for investors against the São Paulo and Rio de Janeiro juicy loans. In the amazon region, the rubber was economic basis of the cities of Manaus and Belem. Manaus was the heart of the rubber economy, concentrating banking services, commercial outlet for the necessary inputs and the port through the rubber balls were exported out of the jungle. The rubber was sent to port of Belem, and from there exported to Europe and US. The growth of these two cities translated in their debut in the international capital markets with a 5,5% loan of £300.000 for the city of Manaus in 1906 and a 5% loan of £540.000 for Belem in 1909. Belem would issue four more loans until 1929 being one of the most foreign indebted Brazilian cities in the period of 1880-1929.

In the south, the prosperous State of Rio Grande do Sul was also booming. The traditional exports of jerked beef and hides were gradually complemented by a rich and diverse set of foodstuffs. The penetration of the railways opened new land tracks for new cattle ranches and a strong, and protected, rice production. The region was also the second outlet for European migrants in Brazil, after São Paulo. All these features made the State the third richest State in the country in the 1920s and the second biggest agricultural producer (Love, 1975, p. 118). The biggest cities received a strong influx of national and foreign migrants that led to an expressive growth of the cities and the needs of urban investments. Porto Alegre – the State Capital – and Pelotas – the richest cattle-producing city- issued two loans between 1909 and 1912 (£1,100.000) in London and three in New York (US$9,500.000) between 1921 and 1928.

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6 In 1920, approximately 25% of Porto Alegre inhabitants were European immigrants (Herrlein Jr, 2004, p. 198)
Argentina had one of the most optimist economic prospects of all regional economies between 1880-1929. After the troubles of unifying the country in the 1860s, the Argentine economy was ready to reap all the benefits brought by technical and financial innovations of the late nineteenth century. The country received 3.3 million European immigrants between 1876 and 1914 in a time that the railways were opening the pampa to the production of the much-needed staples the western industrialized countries were in need (Ferrer, 1967). With the fantastic decrease in transportation costs, exports of low unit value had an immense stimulus. New land tracks, fresh migrant workforce and strong international demand brought the British investments in shape of generous loans and railways. The country specialized in exporting grains, mutton and frozen beef (in the 1920s), enjoying a historical increase in its purchasing power (Kuntz et al., 2017).

This was the gilded age of Argentina. The GDP grew 7% on average between 1890-1913 and 7.3% during the Great War years of 1914-1918. The exports grew on 11% between 1890 and 1914 (Kuntz et al., 2017, p. 47). These made Argentine securities one of the most valued in the capital markets especially for two types of portfolio investments.

First, the railways. By 1857 the country had its first 10km of railway tracks. In 1900 they were 16,600km and by 1930 38,634km. The majority of the Argentine railway system was private with strong support from the federal Government with subsidies, land grants and guarantees on debentures and shares yields. By 1913 about 36% of all British capital invested in Argentina was in railways (Ferrer, 1967, p. 93).

Second, the loans. The Argentine government and provincial bonds were out in the market since the 1820s. It was by mid 19th century that Argentine securities reached a privileged stage with the Baring Brothers as their official banking partner in the City. By the 1880s the provinces were heavy borrowers along with the federal Government (Cortés, 1995, pp. 157–170). Even after the Baring crisis of 1890, Argentina kept on an indebtedness path through the twentieth century. The growth of the Argentine economies and the influx of European immigrants also awake the interest of the international investors on municipal securities. After the city of Buenos Aires in 1888, Córdoba, Rosario, Santa Fé
and Paraná all issued over £ 6 million in municipal bonds in the LSE the 1880 only (Marichal, 1989, p. 248).

The two biggest Latin American economies, Brazil and Argentina also had the majority of municipalities in the LSE. For the purpose of introducing the participation of municipalities in the capital markets, I selected two cities, Buenos Aires and São Paulo, with issued debts in London to compare with their respective federal governments. The next session will show the preliminary results of the research with the two selected cases.

5.0 Buenos Aires and São Paulo: beating the federal governments.

As described before, Buenos Aires and São Paulo were the most important economic hub of their countries. The port of Buenos Aires was in charge of the bulky exports of the Argentine hinterlands, collecting taxes and fees from the lion share of the booming Argentine export economy. São Paulo was the heart of the Brazilian coffee lands. As the capital city of the rich State of São Paulo, the homonymous city enjoyed a favourable position in the international markets, as well as Buenos Aires.

I gathered the price fluctuation of two important bonds issues of both Buenos Aires and São Paulo between 1908 and 1928. It starts in 1908 because is the first year that São Paulo issues a bond in London. The porteño bond analysed in this comparison was issued in 1889 – the second Buenos Aires City bond. The price fluctuations were compared with their national counterparts in order to assess the municipal bonds performance, if they overperformed their national counterparts and why.

The São Paulo issue selected was a £ 750,000 gold bonds, 6%, issued at 97½ by the London and Brazilian Bank in 1908. The Brazilian government issue selected was the £4,000,000, 5% sterling bond issued in 1908 at 96 by the Rothschilds of London. Despite the relevant difference of 1% in the premium between both issues, the Brazilian issue was underwritten by the Rothschilds, which could compensate the extra 1% of risk charged by

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7 The London and Brazilian Bank was a middle size bank established in Brazil in 1862. The bank established partnership with a series of municipalities and states to issue their bonds in London until the 1930s. On a more deep approach on the Bank and other British banking in Latin America, see the consistent Joslin, 1963
the market on the São Paulo bond issued by a smaller bank, the London and Brazilian Bank, also, the issue price, slightly better for São Paulo (1½ more), could also compensate the extra 1% premium in the given comparison. Both issues had public guarantees by the State and Federal Government and were paid in gold/sterling.

Two charts were made comparing the price fluctuations of their bonds and of their respective spreads against the British consols in the same period. The first chart shows the semesterly price fluctuations of the São Paulo 6% and the Brazil 5%, given their issue prices of 97½ and 96:

![Chart 1](chart_url)

(Source: Data gathered and organized by the author from Investor's Monthly Manual 1908-1928)

In the Chart 1 we can see that the São Paulo 6% consistently overperformed its national counterpart. Specially during the Great War (1914-1919), and the coffee crisis (1922-1925) the city issue had much more confidence from the investors than the country. The Rothschild brand wasn’t enough to hamper the decrease in 50% of the Brazilian bonds value during the distress times, given the complicated international scenario. The São Paulo 6%, however, seemed to perform quite calmly with its London and Brazilian Bank branded issue. Even though, a better performance of the 6% over the Brazilian 5% could be obvious given
this juicy difference in the premiums. However, that not simply the case. The chart 2 shows the spreads between both issued against the British consols:

Chart 2

Spreads of São Paulo and Brazil against British consols in basis point

(Source: Data gathered and organized by the author from Investor’s Monthly Manual 1908-1928 and Floud and McCloskey, (1994) for the consols)

What this chart shows is that, even with a higher premium, the spreads for the São Paulo issue were lower than its National counterpart the half of the period and much more price consistent. Considering it to be the first São Paulo city loan, the subscriber bank and the plus 1% premium on the São Paulo bond, the city had quite an achievement in keeping up with the Brazilian 5% by seventeen semesters 20 out of 40 semesters.

The Argentine case was slightly different, although showing the good performance of the city against the national government. The issues selected were the Buenos Aires £1,985,000 4.5% issued at 86 by Baring Brothers in 1889 and the of Argentina the £5,563,000 4.5% issued at 90 in 1887 also by the Baring Brothers. Both were paid in gold/sterling.
Both had the same premiums and the same prestigious subscriber bank – Baring Brothers. Also, one of the reasons to start the comparison in 1908 was to keep up with the Brazilian comparison and also to get distance from the consequences of the 1890 Baring crisis. The Buenos Aires issue outperformed the Argentina issue in 25 out of 40 semesters. With a similar issue price, they had a consistent correlation of price fluctuations during the time, with advantage to the municipal bond.

The chart 4 show the spreads against the British consols for both issues. The Buenos Aires outperformed the Argentine issue in 26 out of 40 semesters, with two semesters with the same spreads (1912/1 and 1926/1). As issues with the same premium, the spreads have shown how the investors regarded the municipal bond safer than the national.

(Source: Data gathered and organized by the author from Investor’s Monthly Manual 1908-1928)
One interesting feature is the low spreads presented by the Argentine specially in 1920-1921. This was a period of high bank discount rates in Britain, with the consol yields reaching a peak of 5,51% in 1921 (Floud and McCloskey, 1994, pp. 173–174). Even considering the conservative environment in the British finance these couple of years, there wasn’t much outflow of British capital from Argentine securities. The issues were still in shape with its lowest value in 73,5 for Argentina and a healthy 77 for Buenos Aires.

6.0 Open conclusions: cities in the international markets

The aim of this paper was to introduce to my new research project on the cities in the international markets. Given the absence of a specific literature, hence specific gathered data, the writing and research are still in its embryonic stage. What these data gathered for São Paulo and Buenos Aires shown was the hint for a bigger case: cities in Latin America outperformed their national counterparts often than the historians and economists could think. There are still a lot of questions to be addressed. Each city presents a unique path in the international markets, regarding its position in the global economy and its relationship with the central governments. For instance, Buenos Aires had higher positive
correlation coefficient of its bond prices with the Argentine bond (0.846) than São Paulo with the Brazilian one (0.728). It could be inferred that the fact Buenos Aires was the capital city, with a lot of economic and political interests in common. In Brazil, even if coffee was the centre of Brazilian economy, and São Paulo was its heart, the interests of other important economic regions, as much as the capital city Rio de Janeiro had to be dealt with. In fact, the relationship between the monetary and fiscal policies enacted in Rio de Janeiro and the state and municipal elites in São Paulo wasn’t easy as the traditional Brazilian historiography puts it (Fritsch, 2014). There are still many important cities of Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela to be analysed. This is one of my present efforts: to build a comprehensive table of all these Latin American cities out of primary sources in financial papers and investments reports. The next stage would be the crossing with national documents in order to address specific cases and, like the effort in this paper, to compare.

Finally, one of the main reasons for this research is to reinstate the debate on cities in the international markets, or even in the domestic ones. The United States has a strong domestic market for municipal bonds since the 19th century. The lack of a strong domestic capital market led the Latin American cities to seek abroad for financing to their growing cities. All this effort was lost when the central governments went too big and too controlling of its fate. Cities were forbidden or restricted to look for capital in competitive conditions. If Brazilian and Argentine cities had a prosperous and intelligent relationship with the capital markets one hundred years before, why to deny it today? Do we have enough reasons to defend the renewed presence of Latin American cities in the capital markets? These are some questions I want to discuss with this research.

7.0 Bibliography


