

‘Only a Whisper was Needed to Cause a Panic’: Agents and the Baring Crisis of 1890

On 5 June 1891, Arthur Bowden Smith, Baring’s agent in Argentina wrote to Barings that ‘when gold rushed up to 30 points...reports began to be whispered...in the streets that the private banks were in difficulties and in the present state of affairs only a whisper was needed to cause a panic’. Bowden Smith was one of three trusted agents, one-man institutions, whom the House of Baring (Barings thereafter) relied on establishing, consolidating and sustaining their business empire in Argentina in particular, and Latin America in general. Agents wrote 2706 pieces of correspondence in the form of letters and telegrams between 1876-1905, and played a crucial role as credit rating agencies, market makers and most importantly as information brokers. More importantly, the frequency of communication increased during times of economic exigency, particularly the Baring Crisis of 1890.

This article aims to understand ‘financial crisis’ from the perspective of correspondences between Barings and their agents in Argentina during the Baring crisis of 1890. It aims to investigate the following research question. What role did agents play in the Baring Crisis of 1890? Correspondences between Barings and their agents in the years to the run-up to the crisis and beyond, offer detailed narratives on a number of themes associated with a ‘financial crisis’; a contraction of capital, disappearance of credit and liquidity shortages, market sentiment based on distrust and apprehension and eventual foreclosure of numerous business enterprises.

The article will incorporate both qualitative and quantitative methodologies to investigate the role of agents during the crisis episode. In doing so, it would apply a textual analysis to agent correspondences to explore if information written in the correspondences was relayed to Argentinian security prices. This article contributes to the vast literature on financial crisis and offers a more granular perspective by exploring episodes of economic and financial stress through the lens of agents, the invisible face behind global capitalism during 1880-1913.