
**Reviewed by Owain Lawson**

Banque du Liban (BDL), Lebanon’s central bank, portrayed itself as a bulwark of Lebanon’s stability as it weathered the 2008 financial crisis, the multiple consequences of the Syrian conflict, and capricious domestic politics. This illusory stability and BDL’s role in fortifying it crumbled in the face of mounting financial crisis and, ultimately, Lebanon’s economic collapse in 2020. Scandalous corporate and governmental practices and the devastation they wreaked on the country’s impoverished majority have resulted in intense public scrutiny and strident demands for reform of the central bank, the private banking sector, and the institutions that ostensibly regulate them. These demands reflect a longer legacy of debates about the banking sector’s role in Lebanon’s economy that long precedes the Republic’s independence. While economic histories have explored the banking sector’s centrality to Lebanon’s political economy, scholars have not historicized the financial system’s institutional foundations or analyzed bankers as a social group. In that light, Hicham Safieddine’s groundbreaking monograph, *Banking on the State*, could not be more timely.

*Banking on the State* traces the debates, institution-building, and international imperatives that constituted the long road to establishing Lebanon’s central bank in 1964. The historiography of Lebanon’s early independence period emphasizes how elite businessmen and politicians, enamored of a particular brand of laissez-faire ideology, employed the state to shape the Lebanese market. Safieddine upends this perspective to interrogate how bankers, experts, and market forces shaped the Lebanese state and its regulatory powers. He accomplishes this, in part, by disaggregating bankers not simply as members of broader elite commercial networks, but as a professional group with distinct dynamics and agendas. Against narratives of Lebanese exceptionalism, Safieddine situates Lebanon’s financial system within transnational debates and global circuits of capital. He reveals the rich intellectual work of bureaucrats and economists in postcolonial Lebanon and across the decolonizing Global South that framed central banking as essential to economic sovereignty. While carefully attending to local power relations, Safieddine cuts through nationalist distinctions between domestic and foreign capital to reveal the regional and global forces beneath.

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The book proceeds largely chronologically through six chapters. It begins by identifying how the concessionary Banque de Syrie et du Liban (BSL) established a “monetary mandate” in Lebanon that outlived French Mandatory rule for two decades. Backed by Mandate policing, BSL formed a new monetary space across Syria and Lebanon monopolized by their French franc-backed lira. BSL withstood rising popular pressure for economic sovereignty, the imposition of comprehensive economic regulations during World War II, and the end of Mandate rule in Lebanon. The transition to sovereign monetary regimes contributed to dividing the independent Syrian and Lebanese republics, leading to the dissolution of the Syrian-Lebanese customs union in 1950. Syria established its own central bank and pursued statist development policies to support the currency’s long-term stability with a strong balance of payments. By contrast, policy makers in Lebanon—chief among them, BSL director René Busson—sought foreign financial guarantees to stabilize the currency at the expense of long-term investment in development. By 1952, Busson, Bishara al-Khuri, Michel Chihà, and other proponents of laissez-faire achieved a strong gold-backed currency and full exchange market deregulation.

Through serious and sustained engagements with Lebanese theorists, Safieddine reveals Lebanon as a site for the production, interpretation, and application of political economic thought. He identifies two underexamined yet pivotal groups that shaped monetary policy, banking sector regulation, and central banking in the first decades of Lebanese independence. The first group is the three generations of US-trained economists based at the American University of Beirut (AUB) that Safieddine terms the “AUB institutionalists.” They advocated quantitative methods, institutional reform, administrative rationalization, and central planning. In the 1950s, AUB institutionalists contributed to policy making, established educational and statistic-gathering institutions, and advocated their principles in the bourgeois public sphere. Historians have framed public debates on economic policy in the 1950s as a competition between supporters and opponents of laissez-faire. Safieddine reveals that, in fact, AUB institutionalists did not oppose the fundamental structure of the Lebanese economy. While critical of the inequities produced by laissez-faire, these economists stopped short of supporting state-led development measures that were common in Syria and the broader Middle East. But by advocating liberal reforms in line with the International Monetary Fund (IMF)’s recommendations, the AUB institutionalists became enemies of the banking sector in particular.

The second group is the “barons of banking”: Raymond and Pierre Eddé. The Eddé brothers and Beirut’s broader banking community built institutional protections against state regulation, the most important being the Banking Secrecy Law of 1956 and the Association of Banks in Lebanon (ABL), established in 1959. As
Raymond Eddé explained, the Banking Secrecy Law rendered Lebanon “a refuge for foreign capital and Lebanese expatriate moneys” (p. 83) along the lines of Switzerland. The law prevented the state from inspecting, taxing, or freezing depositors’ accounts or monitoring their transactions, which granted bank executives significant discretionary power. The ABL coordinated Lebanese and foreign bankers as a cohesive interest group that viewed even the liberal reforms advocated by the AUB institutionalists and IMF as a threat. By the 1963 Law of Money and Credit, the ABL had triumphed, winning concessions in every proposed field of the central bank’s regulatory powers.

Many celebrated the 1964 founding of Banque du Liban (BDL) as establishing “the final and complete contours of Lebanese independence” (p. 120). Founded during the reformist presidency of Fuad Chehab, the BDL symbolized national economic sovereignty and Chehab’s new era of egalitarian development. Safieddine reveals the hollowness behind these promises. Despite greatly increasing state expenditures, Chehabist development efforts left the laissez-faire economic structure intact. And although BDL gained stronger regulatory powers, its administration explicitly committed to maintaining that laissez-faire structure. The BDL’s strategy of regulating through cooperation with the ABL and remnants of the BSL rendered it largely ineffectual during its first years. It was the 1966 Intra Bank crisis that led to a more significant overhaul of the banking sector.

Safieddine’s painstaking reconstruction of the Intra crisis and its aftermath mediates competing accounts, rumors, and real and imaginary conspiracies. He situates the Intra crisis in a longer series of local crises produced by both banking rivalries and global transformations in the competition for Gulf petrodollars. The Intra crisis inspired new demands for stronger financial regulations and, equally, encouraged the ABL to “bank on the state,” that is, to seek state protections from market forces that had turned against it. The ABL joined the AUB institutionalists to campaign for regulating foreign banks and establishing a national deposit insurance scheme. These measures undermined the sector’s laissez-faire basis to the bankers’ benefit. By making the state a co-guarantor of banking sector losses, the National Deposit Insurance Corporation incentivized local banks to conduct risky investments. And by liquidating unviable Lebanese banks, the new regulatory institutions consolidated a smaller, stronger sector. The new regulatory regime facilitated a second era of growing profits in the 1970s and fortified BDL’s centrality among Lebanon’s political economic institutions. While the Civil War cut short this era of profits, BDL’s centrality persists today.

Safieddine draws on a diverse array of Lebanese primary sources, including financial institutions’ reports, published memoirs, trade publications, newspapers, and unpublished research papers. That the book’s major institutional archives are those of the State Department, Quai d’Orsay, and IMF speaks to the challenge of
writing this period of Lebanese history. Safieddine’s careful treatment of those archival materials in dialogue with Lebanese sources is a model for how to navigate dynamics that traverse interpersonal, local, and global scales.

In his concise conclusion, Safieddine addresses the vicious circle by which Lebanese bankers profited immensely from ballooning sovereign debt following Lebanon’s civil and proxy wars. More insight into the Lebanese Republic’s history of sovereign debt would have been a welcome addition, particularly the banking sector’s contributions to debates on foreign development loans and Lebanon’s relationship to the World Bank. Against studies that frame all manner of dynamics in the early independence period in sectarian terms, Safieddine convincingly argues that a sectarian lens has limited utility to understanding the banking sector. His claim that the ABL and BDL formed “the deep structural basis for reproducing the economic power sustaining this sectarian system” (p. 6) invites new inquiries into how the banking sector shaped regional and communal inequalities that in turn reproduced sectarianization.

Safieddine’s prose is clear and accessible, and he refreshingly shuns or skewers the cliché phrases and worn-out quotations that pervade writing on midcentury Lebanon. He carefully explains many financial terms and concepts for non-specialists and situates his narrative within its broader domestic and international historical context. However, undergraduate and non-specialist readers may struggle with some complex concepts and new coinages that enter the narrative with little introduction, among them Timothy Mitchell’s conception of “fixing” the economy. The book would be a useful addition to graduate syllabi on the Middle East, Global South, or global economic history. For those with a special interest in the history of Lebanon, it will become required reading for decades to come.