



Dear Colleagues,

When the initiative to form the EABH was taken, it drew its significance from the integration of Europe into an economic, monetary and political union. At that time, nobody could foresee the changes that were to take place in the Eastern European countries. Germany's reunification and the opening towards the East provided new prospects for the EABH's development, which were immediately integrated into its plan for the future.

Since then, great progress has been made as far as the economic and monetary integration are concerned. The introduction of the Euro notes and coins unquestionably increased the perception of an emerging European identity and as a result of it, people, goods, services and money can move around within the EU as freely as within one country. In the long run, Economic and Monetary Union may bring a gradual reinforcement of a common politic; the recent signing of the European Union's first constitution represents an important step also towards the political union.

Since its very first creation in 1957 the European Union, understood as a union of the people, was, by its very nature, destined to grow. The recent enlargement of 2004, which brings in eight countries from Central and Eastern Europe and the Mediterranean islands of Malta and Cyprus, is the biggest and most ambitious in the EU's history. Each enlargement of the EU has brought benefits to Europe's citizens and new opportunities for its businesses. An EU of 25 countries will create new relationships amongst neighbours as well as within the wider world.

As you can see, the deepening of European integration, the widening of EU membership and the work of the EABH have gone hand-in-hand since the Association's foundation in 1990. The EABH has always strived to be a forerunner of the EU. Not only are many of the new countries already represented in the EABH membership but, as a matter of fact, we are honoured to count as members countries which are not yet part of the EU. This is testimony to the Association's successful fulfilment of its very first aim; that of bringing together bankers, archivists and academics, and thus, the people, with history as a common language. In order to continue this challenge, I hope to be able to count on the support of you all.

Willem F. Duisenberg

Chairman

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Internationalisation of the world's largest banks 1980 - 2000

During the 1980s and 1990s, banks expanded their international activities on an unprecedented scale. By the end of 2000, the 30 largest banks in the world held 5,177 billion US dollar in foreign assets. How did their internationalisation strategies develop, and how has internationalisation affected profitability and shareholder return? Also, what can we expect from further European financial integration?



Introduction

Internationalisation of banking is an exciting research area. Dynamic location patterns emerge, shown for example by Qing Lu for foreign banks in China (see EABH Newsletter 2/2003). Internationalisation and banking also share a long history (cf. Goldsmith, 1969 or Born, 1983). Especially from the 1960s onwards, novel strategic patterns broke ground when banks founded consortium banks to gain access to foreign corporate and investment banking activities, and soon afterwards developed independent internationalisation strategies. These internationalisation developments were dramatic. To give an example; the 30 largest banks in the world held 650 billion US dollar foreign assets in 1980, 35% of their combined balance sheets. Their foreign assets grew to 5,177 billion US dollar in 2000, or 41% of their balance sheets. For individual banks, more dramatic patterns emerge. NMB Bank, forerunner of ING Bank, had 20% foreign assets in 1980, while ING had increased this to 64% in 2000. Lloyds showed an opposite movement with 55% assets in 1980, decreasing to 14% in 2000.

The aim of my PhD study was to study the internationalisation patterns of these banks, and examine if the bank's performance (and their shareholders) gained by it. I will briefly discuss the set up of the study, and present the main results for internationalisation patterns and its effect on performance. Finally, I will use the results to assess future European integration for banks.

Sample and data collection

For the sample I selected the three to five largest banks by assets in the United States, the United Kingdom, the Netherlands, Germany, France, Spain, Switzerland and Japan. Naturally this sample does not include all internationalisation activities of these countries; however by selecting the largest banks the main internationalisation activities are covered. To gain insights from a longer term view, I analysed the 1980 - 2000 period. Data collection was heavily based on annual reports in archives. Electronic databases were a help to some extent from 1990 onwards, but before that period most information had to be retrieved from annual reports. Two annual reports libraries were intensively consulted; the Hamburgisches Welt-Wirtschafts-Archiv (HWWA) and the annual reports library of the Erasmus University, now part of the NEHA archives in Amsterdam.

Degree of internationalisation

To quantify and analyse internationalisation patterns, we borrowed a measure for the degree of internationalisation from the international business literature, the transnationality index (TNI).

The TNI is one of the most cited indicators for internationalization (Van Tulder, 2001). The index is expressed as a percentage and calculated as an unweighted average of 1) the foreign assets to total assets ratio, 2) the foreign gross income to total gross income ratio, and 3) the foreign employment to total employment ratio.

The TNI by definition moves between 0 and 100. An internationalisation index that incorporates income, staff and assets captures a richer picture of the bank's foreign activities than that which would be captured by income, staff and assets separately. Another attractive characteristic is that the TNI dampens the effect of finance companies or off-shore funding constructions. A substantial amount of foreign (relative to total) assets can be located in tax havens or countries with lenient fiscal regimes. Such reported assets would, however, be accompanied by low number of employees. Combining both employees and assets in the TNI would then create a more balanced view. The same argument also applies to investment banking activities that are concentrated in financial centers outside the home country; these activities tend to generate a relatively high degree of income with few employees.

In total the TNI was calculated for 44 banks between 1980 and 2000; Figure 1 shows the average and median values for the sample. The overall picture has been that in the 1980s the degree of internationalisation for the largest banks in the world basically did not change. In the 1990s, the degree of internationalisation

systematically increased. But as the difference between average and median TNI indicates, the increase was concentrated with a small number of banks. This indicates that the world's largest banks pursued different internationalisation strategies between 1980 and 2000. Banks retreated as well as increased their internationalisation activities. Roughly one quarter of the banks remained internationalised, one quarter retreated, while one quarter slowly and one quarter strongly internationalised.

If banks in a country are considered as separate groups, then the development of internationalisation activities of banks has differed between countries. There is a certain country-of-origin effect in banking. At the beginning of the 1980s, American and British banks showed the highest degree of internationalisation. During the 1980s, the degree of internationalisation decreased systematically for American banks, a trend later witnessed in British banking from the mid-1980s. The ascent of Japanese banks in the late 1980s in the international banking arena filled a relative void created by American and British banks in the 1980s.

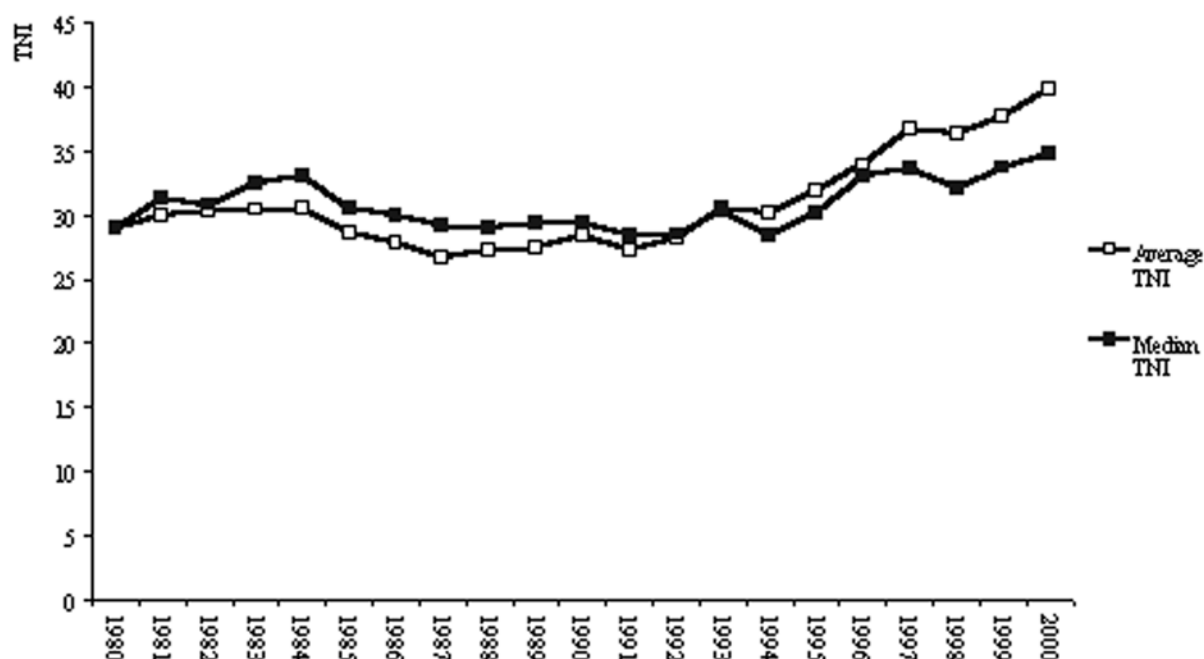


Figure 1. The degree of internationalisation of the world's largest banks, 1980-2000

The internationalisation activities of Japanese banks increased until the early 1990s, their descent followed from the mid 1990s and marks the influence of a crisis in the domestic market. Continental European banks showed the strongest increase in degree of internationalisation between 1980 and 2000; the largest banks from the Netherlands, Germany, Spain, France and Switzerland internationalised at first steadily in the 1980s and then accelerated their degree of internationalisation from the mid 1990s onward.

Internationalisation strategies

An analysis of banks' internationalisation activities clustered per country is too coarse. For example, Chase Manhattan and Bank of America retreated from internationalisation activities in the 1980s, while HSBC and J.P. Morgan remained committed to international banking activities. To analyse the pattern of realised internationalisation strategies, the internationalisation activities of 44 banks were reviewed individually to determine commonalities in realised strategies. The degree of internationalisation was measured per bank. In combination with the internationalisation patterns, several phases in realised internationalisation activities were identified. Similarities in these sequences over time for different banks were then used to identify five different realised internationalisation strategies:

1) Accelerating internationalisation

Banks initially develop internationalisation activities by setting up branches in major economic and financial centers. As a next step, international activities are expanded by increasingly large foreign bank acquisitions. Finally, the bank has to restructure, to consolidate the large foreign acquisitions and to regain or increase its profitability. Examples of accelerating banks are Deutsche Bank, ING, Credit Suisse, ABN Amro and BBVA.

2) Moderate internationalisation

In general, banks with Moderate internationalisation strategies consider internationalisation as a support activity of the total bank organisation. They develop a foreign branch network and bank activities in major foreign economic and financial centers; acquisitions and establishment of other international bank activities are a reaction to the internationalisation activities of other banks, especially banks with Accelerating strategies. Ultimately, restructuring also sets in to consolidate activities and (re)gain profitability. Amro Bank, Commerzbank, Bayerische Hypobank, Credit Agricole, Fortis and Rabobank pursued this strategy.

3) Imploding internationalisation

This strategy is characterized by a fast increase in internationalisation activities, to uphold or increase the bank's relative position compared to other competitors. Because the bank is unable to control the large increase in international activities, a prolonged financial crisis occurs. Finally, internationalisation activities are divested to raise capital; bank management (under pressure of regulators) refocuses its activities on the domestic banking market. This type of internationalisation strategy has been exceptional with Midland Bank and Credit Lyonnais as the main examples.

4) Retreating internationalisation

After a foreign financial or economic crisis, banks reassess their foreign activities and shift their focus from international activities to domestic activities. Foreign activities are divested to raise capital and/or domestic banking activities are expanded, lowering the degree of internationalisation. Examples of retreating banks have been mainly British and American: Manufacturers Hanover, Chemical Banking, Chase Manhattan, Bank of America, Lloyds, National Westminster and Barclays.

5) Established internationalisation

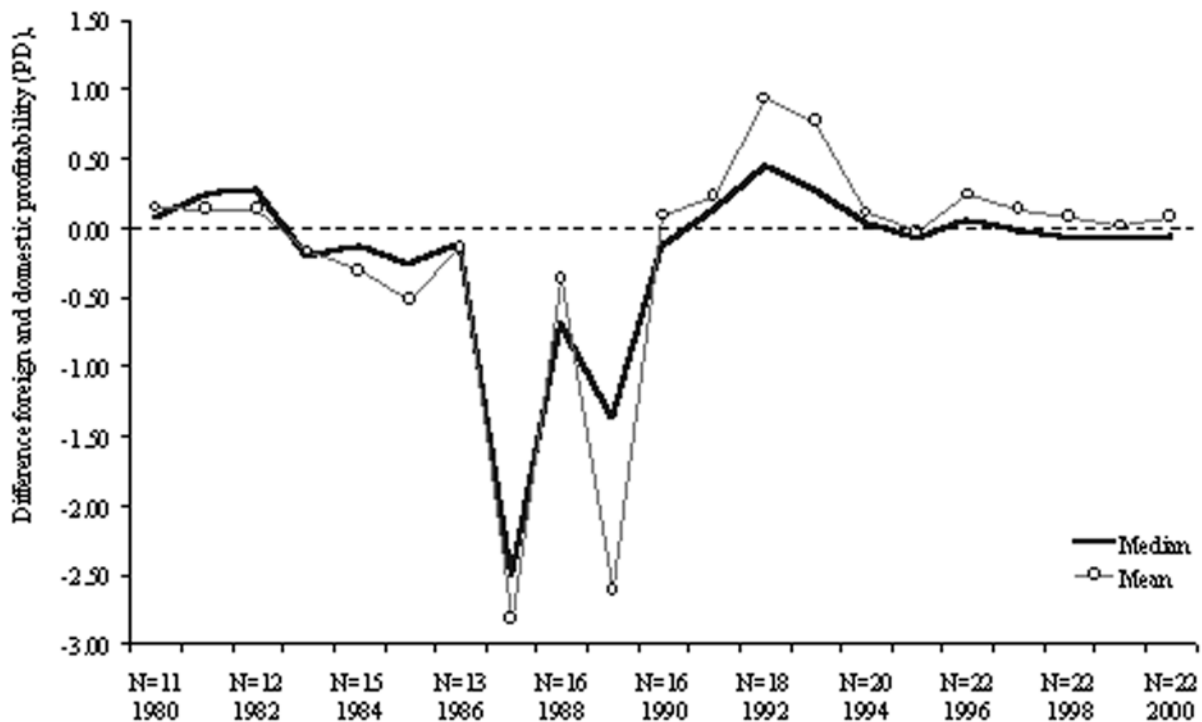
These are banks with a high degree of internationalisation; the banks have been historically committed to international activities, usually building up international activities over a long period. This applies to ABN, HSBC, SBC, BNP, Standard Chartered, Citicorp or Société Générale.

Internationalisation and performance

After identifying internationalisation patterns, the next research question was whether a relationship between performance and internationalisation existed for the world's largest banks: have banks become more profitable through internationalisation, and have shareholders gained by it? In order to provide an answer to this question, the relationship between the degree of internationalisation (TNI) and performance was analysed. The relationship between internationalisation and profitability has been examined in a host of studies. In a recent analysis, Ruigrok and Wagner (2003)

used 62 studies for a meta-analysis. In general, they find a non-zero, positive relationship between internationalisation and performance. As to the shape of the relationship (linear, "U", "J" or "S" shaped), the context of the study matters.

To examine this relationship for the world's largest banks, I started by calculating difference in relative profitability of foreign and domestic activities, calculated as profits before tax as a percentage of assets. Figure 2 shows the average and median values of differences in foreign and domestic profitability for the sample. Not all banks reported geographic information. Therefore the general relationship between total profitability and TNI was also examined. Overall, the banks studied showed on average a lower profitability on foreign banking activities than on domestic banking activities and - as a consequence - reported a decrease in total profitability when their degree of internationalisation was higher. This specially applies for the 1980s when banks had to deal with the negative effects of the LDC crises. Only at the



Difference between foreign and domestic profitability (profit before tax as % total assets)
Note: N is the number of banks in the sample that reported domestic and foreign profitability.

beginning of the 1990s was a positive profitability difference detected. In other words, timing the entry and exit in foreign banking matters for profitability, especially over a longer period.

Similarly, the banks also showed higher variability of profitability with an increase in internationalisation. If banks had intended to increase their profitability by serving new foreign banking markets and clients, or profit from geographical diversification, then on average they seem not to have succeeded. Furthermore, a strong explanatory link between performance of a bank and shareholder return was found. Since internationalisation leads on average to lower performance, more internationalisation indirectly has lowered shareholder return. In other words, internationalisation of banks has been a mixed blessing for shareholders over a long period. Banks with long established foreign bank activities (the Established banks) in the long run generated, as a group, the highest shareholder return, similar to those banks who have substantially decreased the role of foreign bank activities since the 1980s (the Retreating banks). On the other hand, banks who either increased their internationalisation activities steadily (the Moderate banks) or with increasing pace (the Accelerating banks) have generated the lowest shareholder return between 1980 and 2000.

European integration and internationalisation

Naturally, profitability is not the only motivation for internationalisation. Other motivations can be to secure a strategic position for future developments, such as investment banking or European integration. In fact, a large degree of foreign activities of European and American banks have taken place within European banking markets. Can something be said of future internationalisation developments within the European Union? The European integration process accelerated in two periods, between 1988 and 1991 (in preparation for the Single Market) and between 1996 and 1999 (in prepa-

ration for the Eurozone). The economic integration programmes liberalised capital markets and the introduction of the Euro led to a convergence of monetary policies between the major EU countries. With European integration now playing a role, will the expected expansion of the home market into a European home market imply similar high profitability as earned domestically, or should expansion in the Eurozone still be considered internationalisation to a foreign country, with lower foreign performance than domestic as this study found?

Banks have dealt with European integration in several ways: pan-European strategies were formulated by National Westminster, Barclays, Deutsche Bank and Cr dit Lyonnais in the 1980s. They built up a branch network in the major European cities and acquired retail or private banks in European countries, mainly in Germany, France and Spain. In the 1990s, a new concept was introduced: the "second home market" in Europe. These were acquisitions of foreign banking activities with the expected benefits enjoyed domestically (such as a large depositor base). Banks who followed this strategy were ING with its 1997 acquisition of Belgian BBL, or HSBC who acquired French CCF in 2000. If banks view Europe as an extension of their home market, then the findings of this study would suggest that this extension in general lowers overall profitability. Is this finding also valid for European banks internationalising in the (integrated) European banking market?

Supporting the assumption that European integration extends the concept of home market are convergence of net interest margins in the Eurozone, the structural removal of regulatory barriers, and reduction of fluctuations in GDP growth because economic cycles in the Eurozone converge. These developments have in common that the differences between "domestic" and "foreign" economies within the Eurozone decrease.

Outwardly, one might interpret the process of European integration for the banking markets as following the path taken by American banks since the mid 1990s, where ongoing deregulation of interstate banking has led to a natural extension of the home market. Deregulation of interstate banking in the United States basically created new markets with similar customers, introducing opportunities for increased efficiency and higher profitability. However, European integration cannot be compared to the banking deregulation in the United States for two reasons.

First, potential efficiency advantages may be difficult to exploit. Consolidation of the European banking market moves at a different pace in different countries; European labour market are considered to be rigid implying that efficiencies might be difficult to gain through

foreign retail banking acquisitions in Europe. Second, fiscal policies with regard to savings and pensions are not yet harmonised. They determine to a large extent the growth of the savings pool and the banking opportunities to be had.

In other words, while there are strong strategic motivations for European banking consolidation, the results from my study suggests that consolidation will not enhance profitability in the short term since the merger and acquisitions of banking activities in Europe are likely to remain a form of internationalization. Whether or not this suggestion has long term validity, the acquisition of British Abbey by Spanish Santander ensures at the very least that internationalisation of banking will remain an exiting research subject in the near future.

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The PhD study "Banking Across Borders" can be accessed at the website of Erasmus Research Institute of Managements (ERIM), <http://www.irim.eur.nl/>, or directly at <https://ep.eur.nl/handle/1765/1301>.

The Rise of Joint-Stock Banking in Provincial England

'Subscribers to the new joint stock banks...will surely be liable to have writs of execution sent into their houses - their very beds seized - themselves carried to prison - and to like horrors detailed by the public press of London' wrote R. Conway in his Treatise on the Impolicy of a Loan Banking Establishment of 1825. This dramatic announcement was symptomatic of the rumours and malicious prevarications that were made and widely circulated amidst the 1825 -26 crisis to frighten people from becoming shareholders in, or customers of, the new institutions. The joint-stock bank was the arrival on the English financial scene during the mid-1820s. However, the advent of the banking company was not popular with all, not least the private bankers who recognised that the establishment of these new institutions sounded the death knell for their monopoly over banking provision in the provinces. What follows is a short essay on the formation of one of these new companies - York City & County Bank - one of the first joint-stock banking companies to be established in England.



The private banking tradition was long-established in England. By the beginning of the nineteenth century there were banking firms in England which could claim to have been in business for over two hundred years. The banking habit was quickly adopted in Yorkshire. By 1780, 14 private banks had been established in Yorkshire, more than in any other county in England. Half of these were set up in the industrial towns of the West Riding, including Bradford, Halifax, Leeds, Sheffield and Wakefield. Of the remaining, three were opened at Hull, two at York and two at Whitby. However, despite meeting the need for banking services in the provinces, the country banker was criticized for being 'a constant source of weakness in a flimsy, ill-balanced banking structure'.¹ The problem was that private banks were forbidden by law from having more than six partners. This meant that they were formed on a small, and often inadequate, capital base. In fact, the Bank of England had retained the sole right to constitute a joint-stock organization in English banking since its charter of 1711. Consequently, this made for a shaky banking system. During the first third of the nineteenth century, there were 348 commissions of bankruptcy issued against country

banks, just over half of which were made during the crisis years of 1814 - 16 and 1825 -26. The distress occasioned in 1825 was so grave that it gave rise to public demand for drastic change.

It was decided that the issue of 'small' notes was to be abolished and an Act was passed in 1826 which stated that no more English bank notes of less than £5 were to be circulated, and those already stamped were not to be reissued after 1829. A second Act, which dealt with the banking system, was passed in the same year intended 'for the better regulating of copartnerships of certain bankers in England'. In short, this permitted the formation of note issuing joint-stock banks outside a 65-mile radius of London. Prior to 1826, the maximum number of partners a bank could engage had been restricted to six. The Banking Copartnership Act removed this restriction by authorising the establishment of larger banks with more partners and accordingly access to greater capital reserves. This, it was hoped, would make them more resilient in the event of 'runs', thus averting another crisis of the magnitude so recently witnessed.

The financial difficulties brought about by the crisis of 1826 inflicted disaster on large numbers of private banks throughout England and Wales, wreaking havoc, in particular, among unstable Yorkshire firms. The effects of the crisis were felt with some severity in the Yorkshire Ridings. The collapse of so many banking houses affected confidence and, as a result, Yorkshire, more than any other county, embraced the movement towards joint stock banking as soon as legislation had been passed. Indeed, some of the earliest joint-stock formations were undertaken to replace the private banks that had failed during the crisis.

The first two joint-stock banks to be established in Yorkshire were Huddersfield Banking Co. and Bradford Banking Co. Both were set up in 1827 to fill the gap created by the failure of a number of private banks. The West Riding was particularly shaken by the collapse of Wentworth, Chaloner and Rishworth, esteemed bankers at Leeds, York, Barnsley, Bradford and Wakefield. Indeed, the prospectus of Huddersfield Bank, issued in March 1827, pointed out that five private banks in the locality had failed, leaving insufficient banking accommodation as a result. Bradford Banking Co. was formed one month later, capitalizing also on the space created by the failure of Wentworth & Co.

The collapse of Wentworths was far-reaching, affecting not only the West Riding towns of Huddersfield and Bradford, but also York in the East. In the same way, therefore, York City & County Banking Co. was established at York 'to fill up the vacancy' thus created. According to the firm's prospectus, issued in 1829, the establishment of a joint-stock company was not considered 'an unfair interference with the highly respectable existing Banks'. Moreover, it continued, 'without materially affecting the business of the private Banks, [the new bank] will hold out its own peculiar advantages, and afford accommodation which their rules of business prevent them from giving'.²

It was not unusual for the new joint-stock banks to highlight the shortcomings of the private system in order to further their cause. 'The security and additional resources of a public banking company' claimed Huddersfield Banking Co., for instance, 'will enable it to grant facilities which cannot be given by private partnerships'.³ Similarly, York City's prospectus emphasized the greater degree of accommodation a joint-stock bank could offer: 'the fear of a run compels the private Banker to keep in London an undue proportion of his capital' it stated, and 'the money thus locked up prevents him giving that accommodation to his customers which is frequently requisite'. A joint-stock bank, on the other hand, 'having a large available capital, and being under no apprehension of a run, can lend money, on satisfactory security, to a more considerable extent, and for a much longer time than the private Banker is enabled to do with safety to himself, and the rules of business on which he acts will permit'.⁴

The joint-stock system could undoubtedly boast a number of advantages over the private system, stemming from the increased number of partners permitted, the permanency of capital, and the way in which such banks were governed. As contemporary writer, J. W. Gilbart wrote: 'A private bank formerly could not have more than six partners; a joint stock bank might have a thousand partners. If a partner in a private bank dies, or become insolvent, his capital is withdrawn from the bank; in the case of a partner in a joint stock bank, his shares are transferred, and the capital of the bank remains the same. In a private bank all the partners may attend to its accommodation: a joint stock bank is governed by a board of directors'.⁵

Apart from the security ensured by an increased proprietary, and the greater accommodation therefore enabled, York City's prospectus was also keen to indicate the importance a sound basis would have in guaranteeing a profitable return for subscribers. 'It is also important' it was stated, 'to consider [the establishment of

joint-stock banks] with a view of profit to the shareholders'. In particular, it was pointed out that joint-stock banks established in Scotland and Ireland had already proved profitable for their original subscribers. In England, moreover, the joint-stock banks recently established at Manchester, Birmingham and Halifax were said to have been instilled with 'the prospect of most ample success'. Meanwhile, the prosperous share prices of Huddersfield Banking Co. and Bradford Banking Co. (which had been forced to compete with local private banks), and Lancaster Banking Co, achieved within the short time since their inception, led the prospectus to conclude that 'the formation of a Bank on the [joint-stock] principle cannot now be regarded as a speculation, or a doubtful project'.⁶

The capital stock consisted of £500,000, divided into 5,000 shares of £100 each. No individual was allowed to subscribe for less than five or more than 100. The share price was considered a sensible sum since the feeling was, generally, that the number of shares in joint-stock banks should be few but large in value. This trend was followed by over half of the banks established in Yorkshire during the first ten years following the Copartnership Act,

who issued shares valued at £100 or higher. Capital stock was raised on the smallest share values at Yorkshire Agricultural and Commercial Bank, which offered 100,000 shares at just £5 each. This decision was criticised by private Yorkshire banker, John Harding, before the Select Committee in 1836. 'All [banks in East Yorkshire] are established, I think, on £100 shares' he explained, 'but there is one now advertised at York, the advertisement of which I saw last week, on £5 shares'. In his opinion, it was advisable to fix a minimum below which the value of shares should not go, arguing that the effect of establishing a bank on £5 shares would be that 'butlers, ladies' maids, and all sort of persons, will get in; it will be composed of the lowest classes'. This was dangerous, he pointed out, because 'if any call is made, such a partner cannot answer it'.⁷ His comments proved prescient as the failure of the Agricultural Bank in 1842 fell on the shareholders who were 'mostly of the humble class' and, having lost their paid-up capital, were called upon to meet a huge deficiency, 'an amount which was wrung from them with great difficulty, and in many cases only by the forcible sale of their household goods'.⁸

*TETE A TETE IN A BANKERS SHOP
I WANT PAYMENT FOR THESE
RAGS
OF YOURS. Banker WHAT WILL YOU
TAKE IT IN? money man GOLD TO BE SURE
O! PAPER MONEY IS QUITE AS SAFE.
money man NO, I WILL ^{BE} DAMNED IF IT IS!
PAY ME IN GOLD, OR I WILL
TROUNCE YOU, MIND THAT!!*

The distribution of sarcastic compositions, or 'squibs' as they were known, against bankers became commonplace during financial crises. A surviving example from the 1825 crisis is reproduced left.

See Maberly Phillips, A History of Banks, Bankers & Banking in Northumberland, Durham and North Yorkshire, (London, 1894), for other examples of 'squibs' issued in the north east around this time.

The bank was to be managed by seven directors resident in York or the immediate vicinity, qualification being requisite on the holding of 50 or more shares. The first board typically comprised, what Gilbert described as, 'men of character and ability...chosen to fill the office from their superior knowledge of mercantile and banking business'⁹ including names of importance in the pioneering of railway building, joint-stock banking and York's acclaimed confectionery industry.

Thomas Price and Thomas Backhouse were appointed to act as "managing" directors, and 'to them alone the accounts of the customers [were to] be open for inspection'. Much criticism had been levelled at potential joint-stock banks for breach of 'confidential honour' resulting from multiple board members. The danger, warned the Circular to Bankers, will arise 'when there are ten persons entrusted with knowledge of a delicate, private and important character, instead of one; these ten individuals being not Bankers, but traders, who may be engaged in the same trade as the commercial customer of the bank...' who could use the information in an injurious way to the credit of the manufacturer or merchant. 'The great characteristic of a wise and prudent Private Banker', proclaimed the Circular, 'is, that being by his business separated and set apart from the general trading affairs of his vicinity...he becomes the only fit person to be consulted, by active borrowing classes, as a confidential friend in need' - the joint-stock banks on the other hand, 'annihilate these delicate and important functions'.¹⁰ The founders of York City were aware of the negative attention joint-stock banks were receiving, noting that 'the supposed publicity given to the accounts of the customers has been one of the principal objections urged against Joint Stock Banking Companies' and, consequently, just two individuals were authorised to consult customers' accounts when necessary. 'By this means' it was argued 'the company will have the secrecy and dispatch of a private bank whilst it

will have the additional advantage resulting from the united deliberation of seven intelligent Directors assembled at their weekly Board'.¹¹ Given that they were expected to devote most of their time to the business of the bank, the sum of £300 was awarded to each Managing Director as 'remuneration...in acknowledgment of services so important'.

Barnett, Hoares & Co. were appointed the firm's London agents, although initial enquiries had been made to the Bank of England. However, following a meeting with the Bank's Governor in London, this relationship was deemed objectionable by York City's directors on the grounds that they would be expected to distribute Bank of England notes in preference to their own.¹² Note circulation was considered an important component of bank business for many private and joint-stock bankers in the provinces, and a right they vigorously defended when threatened with restriction. Bank of England notes tended to be more readily circulated in industrial areas where the Bank initially opened branches. They were not generally welcomed in the provinces, however, as York City director, Thomas Price, emphatically pointed out: 'In such case as might occur on that day, the fortnight fair; if an agriculturalist, who had not come with any intention of purchasing, were to meet with a few sheep which would suit him, by applying to his bankers, to whom his good character was well known, he might be supplied with the money he needed. But not so if the Bank of England should take up the place of country banks; character or connections would be of no use then; if a man had value to give in exchange, he might get notes, but on no other consideration'.¹³ Of the 114 joint-stock banks established between 1826 and 1836, York City was one of 93 banks of issue.¹⁴

Business at York City & County Banking Co. commenced on 15 March 1830 and 'although little [business] was transacted for some time'¹⁵ a surplus of £477 19s 4d was reported at the first Annual General Meeting (AGM) a

year later. Business gathered apace during the bank's formative years and, by 1833, five branches and one agency had been opened. According to the Directors' Report, read at the third AGM '...the continued prosperity of the Establishment which from its gradually and steadily advancing in magnitude proves its great utility and the importance it has obtained in the public estimation...'¹⁶

York City & County Banking Co. proved to be one of the successful joint-stock banks established after 1826, enjoying a long and profitable history well into the twentieth century. After forty years spent servicing the agricultural communities of the North and East Ridings of Yorkshire, the bank's management extended business into the industrial north east, capitalizing on the rise of Middlesbrough as a steel centre which dramatically altered and diversified the bank's asset portfolio. The bank's survival into the twentieth century was secured by amalgamation with the Cumberland Union Banking Co. in 1901. The concern was taken over by the London Joint Stock Bank in 1909 which itself became assimilated into the Midland Bank in 1918.

Cheryl Bailey

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This essay is taken from the Ph.D. thesis 'Provincial Banking in Nineteenth Century England: York City & County Banking Co., 1830-1880', University of Leicester (September 2003).

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A History of a French Insurance Group Azur (1819 - 2000) A History of French Insurance

The history of the Group Azur is a thesis of economic history dealing with the different societies composing the French insurance group Azur, created in the late 1980's. Azur, a non-life insurer for most of its history, brings together a number of very old mutual insurance companies.



While insurance forms a most popular area of research in the United Kingdom, it is quite a different story in France where it remains relatively underdeveloped. In fact, French private insurance societies do not often open their archives to the public or even researchers. Still, the managers of *Azur* allowed me to work freely for four years in a bad cellar, next to a good cellar...reserved for French wines. This long term study (1819 - 2000) is therefore based on private records from the group along with archives concerning the branch, such as, for example, the "*Direction des Assurances Privées du Ministère des Finances*", or "*Les Archives Historiques des AGF*" (Historical archives of the AGF). This thesis is a historical work, but also an economic and juridical work. The study points out the three historical entities of the group consisting of three old mutual insurance companies. For this reason, these companies, which are usually local, have been compared using a synthetic approach. The three key words are *insurance*, *societies* and *mutual*.

The oldest is the *Société d'Assurance Mutuelle de la Seine et de la Seine-et-Oise* (AMSSO), a prestigious fire insurance company created as early as 1818 - 1819 in Paris. As it is often the case in France, the history of insurance is written by bankers. The very first one was Laffitte, a very well-known member of the *Banque de France*. He was a businessman, also the most important shareholder of *Le Phénix*, the manager of two insurance companies and of the *Compagnie d'Assurances Générales* from 1820 to 1830, known as the AGF today.

The first members were owners who believed that consolidating their fortunes would offer the best protection against misfortune. The nineteenth century was a golden era for those companies which survived: before the First World War, the portfolio reached fourteen thousand million francs, the reserves amounting to almost three years of premiums. *La Beauce incendie / Les Travailleurs Français accidents* was formerly two fire and accident insurance companies from Chartres, in the Paris Basin, dating back to 1874 - 1882. They were small, rural societies. The people who founded these mutual companies were not exactly landlords such as in the case of AMSSO, but farmers who aimed to modernize farming in Beauce in a capitalist way. They participated in agricultural shows and were also elected in France. The third society, the *Cérès Company* (1822), guaranteed to insure cultivations from hailstorms. In the early years (1822 - 1860), the society appeared to be run in effect by the notables but farmers, the real clientele, quickly assumed power.

All those insurers were rural or urban notables. Due to the unique structure of a mutual society, wherein there is no shareholder to pay and the avoidance of fraud relies on members keeping an eye on themselves, a trend to provide low cost products developed. Mutual is certainly a closed shop system, while joint-stock company is open shop; open to every risk. All balance sheets are systematically analysed and harmonized into key indicators to reconstitute economic strategies and solvencies. In the nineteenth century, the key discussion point was

whether to authorise the selling of insurance policies on a national scale. The AMSSO is a paradoxical example: this very rich society accepted this new decision belatedly in 1881, after the ancestor of AXA (1856), at the same time as *La Beauce incendie* (1888), but before *Les Travailleurs Français accidents* who itself waited until 1924 and the development in employer's liability insurance. It was the fundamental law of 1898 which really founded the Welfare State in France, and developed this market...at least for private societies.

The First World War stopped turnover growth at a level over and above inflation and considerably disrupted the European insurance market. In France, the State allowed the owners of insurance policies to abstain from paying their premiums (1914 - 1915). Inflation and reinsurance also proved particularly problematic at this time. The first was very important and became a structural issue. Insurers had to assess the cost of losing before the accident and to pay after, yet in the meantime, premiums had been devaluated whereas loss had been re-evaluated. Obviously enough, the war resulted in the destruction of the portfolio which was not helped by the annexations of the north and east of France. Reinsurance was a collateral problem. French insurers were not allowed to deal with German or Austrian reinsurance companies, such as *Munich Reinsurance* established in 1880. According to the Lloyd's, the definition of insurance is: '*The contribution of a many to the misfortunes of a few*'. At that time, however, it was more often *the contribution of a few to the misfortunes of many people*...in fact all the main financial indicators of insurance societies studied were at an optimum level in 1914, a historical record. The War and '*the economic consequences of the peace*' (Keynes), especially inflation, meant lower technical provisions and lower reserves: 300% of premium in 1900, 70% in 1938 for the AMSSO.

The inter-war years were different for the different societies. The AMSSO was an old and

growing society. It refrained from offering new products, even in terms of car insurance despite growth in the French car market reaching one million units in 1930, and made no attempt to introduce new management. In 1939, the French financial and insurance supervisory authorities (*la Direction des Assurances Privées du Ministère de l'Economie et des Finances* since 1940) demanded the merger of the AMSSO Accidents Company into the older company, the AMSSO Incendie Company. A similar petition called for the merger of the *La Beauce incendie* and *Les Travailleurs Français accidents*, yet the strong development and maturation of these companies at this time thwarted such attempts. A new management style was being promoted by manufacturers who thus became the most important insured partners of the companies. Modernisation became a key priority. Raymond Senly, a well-known insurer in Paris, wanted "*managers, workers and machines*" to be mechanized such as was the case in Ford's factories. In the 1930's, *La Beauce incendie/ Les Travailleurs Français accidents* was the fourth largest mutual fire company in France. Although the AMSSO occupied second place in the market, the reserves of the younger company were in actual fact higher, in spite of investments.

The Second World War often means *terra incognita* for French Business Historians. Insurers, just like the rest of the country, tried to survive in spite of exceptional difficulties. The Nazis imposed many conditions, especially a new demarcation line, breaking the country down along new lines. For instance, insurers who had established in the occupied zone could no longer deal with the Alsace and Lorraine regions which were annexed by Germany, and now faced many problems when dealing with the unoccupied zone in the south. The market for car insurance collapsed and insurers were looking for other fields, as for instance *ersatz* products for bikes. The Liberation (1944 - 1945) meant new economic problems. Many insurance companies were nationalized and new mutual

societies, that is, those established after 1934, armed with low cost car insurance products, offered stiff competition for the more traditional mutuels. This competitive environment led to the final merger of *La Beauce incendie* and *Les Travailleurs Français accidents* into one society in 1947. While the AMSSO had had dealings with *La Beauce incendie/ Les Travailleurs Français accidents* since 1963, an actual merger of these societies only became effective in 1981, proving the forces of history. Following the accession of the *Cérès Company* into the mutual Group in 1968, it was subsequently modernized, and eventually re-branded as *Azur* at the end of the 1980's, just as *Mutuelles Unies-Drouot*, the fellow mutual society, was re-branded *AXA*. Massive investments into computing systems and new marketing procedures minimised the risk of failure and turned the old societies into a capitalist group. In 1994, *Azur* bought a bigger insurer, the *Garantie Mutuelles des Fonctionnaires (GMF)*, and became one of the first French private insurers.

What exactly are then the corporate cultures of these societies? The AMSSO is really a Parisian society, run by the main insured partners namely notables, gentlemen, lawyers, businessmen and elected people, especially mayors, and insurance promoters in rural France. It established its reputation during a glorious nineteenth century. Its principal members were fortunate and insured their apartment blocks in Paris, and mansions and castles in the countryside. This was not only a typical attitude for the first capitalist patrimony, but was also popular within the big societies such as *Renault*, local communities, and departments of the Paris Basin. *La Beauce incendie/ Les Travailleurs Français accidents* was a rural society, down-to-earth, managed by humble people, farmers who counted every penny, even for premiums. The second generation is representative of manufacturers who modernized and controlled the production just as they did in their factories, paying particular attention to the

members. In contrast, the *Cérès Company* has remained a small society, having concentrated on selling guarantees to insure cultivations from hailstorms since 1822: it is now the oldest society in France and is still active, like the AMSSO. Its market is a limited one and, as such, it is very difficult to handle, mainly because of the uncertain climatic risks. Every solution has been tried over the last two centuries, yet these have so far not proved particularly successful. The secessionist society, *La Garantie Agricole*, established in 1855, which had been dealing with the principal society since the 1860s was finally merged with the *Cérès Company* in 1944.

Finally, this study has been trying to reconstitute the techniques, markets, people, and cultures belonging to the world of French insurance, and insurance business in general. It is also very important to realise the extent of growth which has taken place in this sector, demonstrated by taking insurance as a percentage of the French national product, specifically 1.5% in 1945, more than 3% in 1970, and around 10% today. This is the sign of an insured society which provides evidence for the marvellous development in the twentieth century, and the elevation of the standard of living.

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The Classical Gold Standard in the European periphery A case study on Austria-Hungary and Italy 1870s - 1914



The Classical Gold Standard has attracted the interest of economic historians ever since its foundation. While the 'core countries' are well researched, little is known about the periphery. Focusing on Austria-Hungary and Italy as the two largest peripheral economies in pre-World War I Europe, my PhD thesis attempts to answer (1) why peripheral countries wanted to join the gold standard, (2) which costs it incurred, and (3) which benefits it yielded. The thesis, under the supervision of Dr. Max-Stephan Schulze, will be submitted at the London School of Economics in the summer of 2005.

The Classical Gold Standard (1870s - 1914) has attracted the interest of economic historians ever since its constitution. Most of our knowledge is based on the experience of the so-called 'core countries', i.e. the UK, the US, France, and Germany. As for the periphery, two schools of thought can be distinguished. One of them argues that adherence to gold was particularly beneficial to peripheral economies as they stood to gain from enhanced credibility even more than core economies. The other school of thought brings the adjustment process to balance of payments disequilibria to the centre stage. It is argued that adjustment was much more difficult for the periphery than for the core, implying that costs would outweigh potential benefits easily in the case of the periphery.

Both hypotheses make sense from an economic point of view, but they often lack empirical evidence to be either supported or refuted. Focusing on Austria-Hungary and Italy as the largest peripheral economies in pre-WW I Europe, my PhD thesis attempts to fill this gap by collecting both quantitative and qualitative evidence to answer the following questions:

- (1) Why did Austria-Hungary and Italy want to join the gold standard?
- (2) At what cost did the gold standard come, i.e. how painful was the burden of adjustment?
- (3) How beneficial was adherence to gold for Austria-Hungary and Italy?

(1) Why did Austria-Hungary and Italy want to join the gold standard?

Austria-Hungary and Italy offer unique experiences as both countries were faced with the question of the monetary standard as early as the 1860s. This was due to Italian unification (1860) and Austria's political reorientation after 1866, respectively. The choice of the monetary system remained high on the agenda for four decades as specie convertibility either could not be achieved or was continuously threatened. Austria-Hungary and Italy eventually settled on gold in 1892 and 1881 respectively (with Italy being off gold again from 1893 to 1902). Therefore, the long-lasting and intense discussion in both countries enables us to gain a better understanding of this monetary controversy and, of equal importance, how it changed over time.

Why are the 1860s so interesting in our context? In the 1870s, Germany and France switched to gold, which had been the English currency since the early 18th century. With the three dominant economic and political powers firmly settled on gold, the question for the periphery was no longer whether they want to join the Gold Standard, but whether they were able to join the Standard and maintain convertibility

successfully. All this was different in the 1860s, when gold (England), bimetallism (France), and silver (the German Münzverein) all had a strong advocate. In the 1860s the race was wide open and peripheral countries enjoyed a truly autonomous discussion.

What emerges from the monetary commissions of Italy (1862) and Austria-Hungary (1867)? The "scramble for gold", mostly associated with the 1870s, actually started some years earlier. Notwithstanding that the massive gold influx of the 1850s had turned gold temporarily into the inflationary metal, both commissions felt that the future would be with gold. Gold was lighter than silver (the same amount of wealth required less volume), which made it the most convenient choice for increasing trade in Europe and across the world. We have to bear in mind that, in the 1860s, trade was - at least in the case of peripheral economies - still often settled in cash rather than bills of exchange. Many other factors also mitigated in favour of gold, but all of them had one thing in common: the desire to adopt gold was inspired by practical considerations. Two key reasons that came to prominence later in the 19th century were absent in the 1860s: first, the desire to attract foreign capital more easily (international capital markets were still receptive to silver bonds); secondly, the wish to emulate the core countries' choice.

My findings point to an important conclusion in the overall debate as to why gold won over bimetallism and silver in the late 19th century. Traditionally, economic historians have portrayed the emergence of the Gold Standard as the inevitable outcome of 19th century monetary history. This position has recently been challenged, most prominently by Flandreau: bimetallism would have been a viable alternative, and the global switch to gold was due to Germany's unilateral adoption of gold (1871/1873), which tipped the balance in favour of the yellow metal. My own findings lend support to the more traditional view. Austria-Hungary's and

Italy's monetary commissions show that Germany's decision to adopt gold was not as unique as the revisionist research wants us to believe. The emergence of gold as sole monetary metal was in the air. This suggests that even if Germany had not adopted gold, other countries would have done so sooner or later, thereby equally giving rise to the Classical Gold Standard (1870s - 1914).

The question of the monetary standard remained high on the agenda in Austria-Hungary and Italy, as both countries were not able to maintain specie convertibility. My PhD thesis attempts to demonstrate how and why the discussion changed from the 1860s to the 1890s. The global shift to gold in the 1870s created problems for those countries that were off gold. For example, Austria-Hungary was confronted with massive repatriations of silver debt that had been issued abroad in the 1850s and 1860s, but which was sent back under the new reign of gold. Equally unpleasant, the exchange rate was strongly correlated with the silver price, although Austria-Hungary was at this time on a paper currency rather than silver. By the 1880s joining the Gold Standard had become the only option. A sense of little alternative available was clearly reflected in the discussion in both countries. With the economic necessities came the political ideology: "to be or not to be (on gold)" became a matter of status, something which it clearly had not been in the 1860s.

(2) At what cost did the Gold Standard come, i.e. how painful was the burden of adjustment?

It is not straightforward to pinpoint the costs of the gold standard to any individual country. My PhD thesis argues that the main cost is to be seen in the loss of an autonomous monetary policy. Notwithstanding that the gold standard, as a system of quasi fixed exchange rates, substantially limited monetary autonomy, the latter was never abandoned completely: discount rates were set on the national level, and foreign exchange intervention remained an-

other tool of those countries adhering to gold to make the exchange rate move closer to mint parity again. My PhD thesis argues that asking for the costs of the Gold Standard is equivalent to determining the extent to which monetary autonomy was limited. I suggest a two-step procedure; differentiating between the long and the short term.

As a first step, the balance of payments was reconstructed to get a sense of potential long-run constraints. More specifically, in case there is a structural balance of payments deficit, maintaining convertibility in the long-run will be virtually impossible. Two findings stand out. First, remittances from emigrants constitute the single most important positive item after the turn of the century. It emerges very clearly that adherence to gold in the absence of mass emigration would have been much more difficult. Second, the story of capital imports, which figure so prominently in most accounts of the Classical Gold Standard, is much more complex than commonly assumed. Most research assumes that peripheral economies suffered from so-called 'original sin', i.e. the inability to circulate debt in domestic currency. The data tell a different story: For example, Austria had issued paper bonds earlier in the 19th century, a large proportion of which were held abroad. As Europe moved to the gold standard in the 1870s, a large number of paper bonds were repatriated. We observe a very interesting pattern of contemporaneous capital imports and capital repatriations starting in the 1870s: Paper and silver bonds were sent back to Austria-Hungary, while the issue of gold bonds led to capital imports at the same time. In net terms, Austria-Hungary repatriated more bonds than it imported capital for much of the time, causing long-term strain on the balance of payments.

In a second step, the PhD thesis looks at short term risks. While the balance of payments tells us something about the 'general health' of an economy, it does not provide an answer to the question whether convertibility can be main-

tained in times of strain, for example during a financial crisis. The textbook story wants that peripheral economies had to 'play by the rules of the game', while core countries could get away with frequent violations. More precisely speaking, this means that the conflict between external and internal stability was much more pronounced in the periphery than in the core (the former required a discount rate increase to safeguard reserves, while the latter required a discount rate decrease to provide economic stimulus to the domestic economy). My findings suggest otherwise. Austria-Hungary, in particular, used the room for manoeuvre left under the Classical Gold Standard very cleverly. 'Good periods' were long enough to accumulate substantial amounts of foreign exchange reserves. In case Austria-Hungary came under financial strain, the accumulated cushion of foreign exchange reserves obviated to a large extent the need for discount rate hikes. For example, during the 1907 American banking crisis, the Austro-Hungarian Bank was able to leave the bank rate below the rates of the Bank of England, the Reichsbank and the Banque de France precisely because it could resort to selling off foreign exchange reserves over a period of several months.

(3) How beneficial was adherence to gold to Austria-Hungary and Italy?

Besides the reduction in transaction costs and the provision of monetary stability, the main advantage of the Gold Standard is seen as the opportunity to attract more capital at lower cost. While the hypothesis of attracting more capital at lower cost has been widely accepted, it has been difficult to prove it. This is due to two factors: first, little is known about the size of capital imports, secondly, lower cost is mostly measured by a reduction in bond yields. Such a reduction might be due to adherence to gold, yet this could also reflect, however, improvements in the real economic sphere of an economy.

My PhD research attempts to overcome both obstacles: As a result of the reconstruction of the balance of payments, we possess the data we need to assess the overall level of capital imports. The second factor mentioned above implies that a *ceteris paribus* comparison of 'on gold' versus 'off gold' is difficult as many other factors come into play. I believe there is a way to disentangle monetary factors and real economic factors. As mentioned under section (2), Austria-Hungary issued both paper and gold bonds. Both types of bonds were held abroad

(albeit to a different extent) and some of them were identical except for the gold clause. The thesis argues that the bond spread between the two types of bonds enables a *ceteris paribus* comparison 'on gold' versus 'off gold', and that the spread can tell us a great deal about how beneficial the gold standard was to the Austro-Hungarian and the Italian economy. As this chapter is currently being written, I can only present the methodology employed for the time being.

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The Paper cathedrals Discount policy and credit monetizing in 18th-20th Century France



This paper intends to present briefly the subject of a dissertation still in the making. This subject - discount and especially the discount policy of the Banque de France, France's central bank - is indeed quite narrow since it does not address the problems of rates or yields on which analysis usually focus. On the contrary, the main idea under contention here is that the rules and politics of discount matter, i.e. it should not be taken for granted that bills of exchange are always what they are supposed to be - and what they are counted as being within banks' statistics - nor that their admission into the central bank's portfolio is purely transparent. Such a narrow research proves to be very deceptive when set within a restricted time frame; for this reason, the current dissertation has been extended back to the 18th century, allowing me to reassess the major evolution of both the discount policy of the banks and the bills of exchange which are discounted and to set these within the context of three main directions.

This time span of almost three centuries is necessary to gain a better understanding of how and why the bill of exchange is not a 'medieval tool' and instead actually evolved effectively over time, adapting to the needs and uses of merchants and bankers. This might seem self-evident but it is not so rare to read arguments about the 20th century French banking system in which its 'backwardness' is blamed upon the use of such a 'medieval' innovation as the bill of exchange. The evolution of the bill of exchange is interesting for three main reasons.

Firstly, this evolution appears to have been the model of all other commercial bills and, later, innovations drew upon the accumulated experience gathered from bills of exchange. In the process, the bill of exchange itself evolved significantly.

Secondly, as an 'international' tool, the bill of exchange was a reluctant subject to the 'nationalization' of the Law, which paralleled the development of the Nation-State in France. Ultimately, a contradiction emerged between the national and the international rules and stakes, leading to both disorder and the will to end it. The idea of an international convention regarding the bill of exchange emerged in the late 19th century and led to the 1930 Geneva conventions, which were largely translated into the French Law in 1935. The divergent evolution of

the Law, which became evident in several European countries in just a little more than a century, clearly proves how quickly differences between economic systems can become magnified, creating evermore indigenous ways, and how difficult it seems, thereafter, to converge these anew.

Thirdly, the bill of exchange and its evolutions became the base of the art of central banking, though this art varied with the national characteristics of those bills and of their emission.

The discount of bills by the central bank, or what was deemed to become the central bank - namely the Banque de France, founded in 1800 - takes then a highly distinctive look: it is no longer simply a question of quantity or rates - there is now the more important issue of quality. This leads to a revised perception of the 'backwardness' of the French banking system.

The views of Prof. Kindleberger or Prof. Cameron are mainly built upon a quantitative lag. For the second part of the 19th century, Prof. Plessis has shown that the number of French bankers at this time has been grossly underestimated which undermines a part of the quantitative argument. Yet the main body of this argument prevails, either in the form of a "relative backwardness" approach, or by using financial and monetary data, i.e. current accounts and deposits in banks, breakdown of the money

amount, etc. My argument is that this approach, if broadly correct, remains biased. Notably, it tends to imply that the institution - the bank - is the driver of the economic activity (credit and circulation). Prof. Lévy-Leboyer has however noted that the more industrialized districts in 18th century England were also those sporting a lower density of banks. This does not necessarily mean credit or banking were not needed or practised in these regions; but one should not forget that merchant bankers were also... merchants.

A large bibliographical survey tends to show that in 18th century France this is precisely what happened: banking activity did indeed increase with the global prosperity of the times yet remained shy towards institutionalisation. This was predominately in order to avoid government interference which tried to use the commercial money circuits to ease its own financial constraints. The very meaning of discount was built upon this experience yet, even so, discount was also deeply affected by the revolutionary era: in short, at the beginning of the 19th century, banks seemed to Frenchmen as the tool of English prosperity. Conversely, in France they were created to alleviate the gold and silver coin shortage, though also to facilitate fiscal and military money transfers: such voluntarism in banking was a naive confusion of the effect for the cause. The result was a distortion between the doctrine (Law and theory, both legal and economic) and the practice, which itself tended to make evolutions harder. For example, the bill of exchange was still defined, in the new 1807 Code de commerce, by an outdated legal quality: the exchange contract. It took almost one more century simply to admit, in 1894, that a bill of exchange (inland bill) is mainly an order to pay. Moreover, the basis of the banking activity continued to lack, even until the 1820s, three fundamental elements: peace, stable markets, and confidence.

'Since its very origin, the Banque de France had engaged in State financing activities, but, contrary to the Bank of England, continually denied it: when the bank admitted to government lending, it called it "extraordinary dis-

count", i.e. non-statutory operations, which in itself is an acknowledgement of the negative dimension of such operations. More interestingly, these operations were predominately not even discounts at all but advances. The Treasury seldom respected the maturities of its bonds and, above all, the Treasury sold its bonds directly to the Bank without the filter of a broker, a banker or an individual. The Banque de France was subject to a high immobilization hazard, quite contrary to the logic of discount. On the other hand, the Banque had rather few bills of exchange to discount since, as previously implied, the economic situation at this time was weak.

The Banque survived the Empire, remained in the hand of the State, and even crystallized the "doctrine of discount" devised by Count Mollien, an acute reader of Adam Smith: 150 years later, high ranking officers in the Banque would still refer to this doctrine to distinguish sound and unsound operations! Behind the veil of the doctrine, it seemed any "extraordinary discount" to the State was possible, as long as the government had the will or the need to obtain it; in fact the term discount was later abandoned in favour of advance which provided a more appropriate expression.

Even so, the Bank, when not pushed, would cling to this doctrine: the "three signatures, 90 days, real commercial bill" became the tables and the law, and only strong governmental pressure or high competition caused it to retract this position. This conservatism, utterly demonstrated by an archaic fondness for punishment by *contrainte par corps*, the act of imprisoning the debtor in the case of bankruptcy in order to make him pay personally, was reinforced by the presence on its board of the 'Haute Banque', i.e. wealthy capitalists engaged in merchant-banking. Indeed, the fixed-rate policy meant that the Banque would not accept the prime paper in times of plenty and would rediscount their portfolios at a comparatively low rate in times of crisis - in these conditions, the Banque would prove more severe about its rules and conditions, to which, therefore, only the richest capitalists could comply.

The subsequent evolutions were marked by three different trends, all of which contributed to making discount the sacred altar of French banking. Discount is mainly about monetization, i.e. it allows the transformation of bills into (fiat) money. The crises, occurring from time to time, induced the idea of mobilization, i.e. the transformation of wealth into (fiat) money. The great crisis of 1825 in London led the Bank of England to engage in a unique strategy; that of lending upon merchandises. This strategy was imitated in France, at first on a modest basis in 1830 and then through a more ambitious legal reform in 1848 that introduced the warrant in French commercial law. The Banque took its time to contemplate this new bill: was it really a bill to be endorsed and negotiated? Such a prudent approach to the warrant almost killed the new instrument, which survived only in Paris and a few harbours where it was linked to dock credits, both traditional and necessary in import/export. The warrant could, however, only be accepted as a third signature; the Banque de France still required more than the signature of the depositor which thus incurred an extra cost. Subsequently, a two signature discount was also developed but a guarantee was still required to replace the third signature, a security deposit at the Banque. This mobilization process developed significantly at the end of the century thanks to competition arising from the new branching banks. At the same time, agricultural (1898) and hostelry warrants (1913) were adopted, meeting with even less success than the usual commercial warrant. This trend towards mobilization was reinforced by a trend towards longer discount: the 90 day maturity was too short for a score of valuable economic activities, seasonal activities in particular. The Banque de France, heavily branched and in search of revenues, developed 270 day discount for agriculture, the sugar industry and so on. In order to make this new discount statutory, the board had to officially refuse the full 270 day discount, yet subsequently supported the fictitious new provision for discount whereby two conditional renewals of 90 days could be ap-

plied. Although the two World Wars assisted in making this a coherent system, it still fundamentally and completely opposed the doctrine.

In short, the Banque de France financed the State through advances during both the First and Second World Wars and also during most of the period from the 1920s to the 1950s - a pure monetary creation though, nevertheless, nothing new. What is interesting is how the Banque succeeded in authorising these massive advances in parallel to preserving its doctrine. Three strategies were practised.

First, the Banque denied that anything was awry: advances would be paid back, eventually by the Germans, and its own duty was simply to return to the 'good old days' of statutory discount. This attitude explains its blunt refusal of financial warrants in 1915, longer discounts in the 1920s, and mid-term discounts in the 1930s. The Banque de France then appeared as a highly conservative body that placed itself at the centre of political turmoil until it was semi-nationalized in 1936, a process completed in 1945. As late as 1944, the Banque tried to modify the very letter of the new mid-term credit discount system in order to regain full control over it, an attempt which proved unsuccessful.

Second, because financing the State had become its main asset, the Banque de France had to accept the idea of mobilizing public bonds in order to facilitate their renewal. These bonds would thus allow banks and companies easy access to its discount. This led, in the end, to the quantitative rules of credit policy, i.e. a compulsory level of public bonds in banks portfolios. It should nevertheless be noted that this quantitative rule was initiated before the official policy of 1948: as early as 1945, the Banque de France issued new rules in the form of a gentleman agreement so that the banks would not only rediscount treasury bonds but also commercial bills.

Thirdly, it looked for innovation yet had problems to admit or assume it. One of the best possible examples is the Open Market: the possibility of such a tool was discussed and tested well before World War 1 but, with discount as

the paramount of the Banque's credit and monetary policy, the very idea was condemned. The 1928 Poincaré monetary reform changed this attitude and, in a most secretive way, the Banque de France started authentic Open Market operations albeit on a limited scale. Only in 1938 did the Banque openly gain the right to employ Open Market techniques. Coinciding with pre-war insecurity and later the defeat, the Open Market met with little success; commercial bills were at this time a rarity, not only for the Banque de France but for all banks, and treasury bills soon constituted the main part of all portfolios. The monetary market had turned into a buyer market, where the large amounts of fiat money printed by the Banque were drained away by the large amounts of bills issued by the Treasury. The Open Market was revived in the post-World War 2 period, yet in a very obscure way. The discount rate and discount policy were still of paramount importance, but the public bonds floor and private credit ceilings proved harder and harder for banks to comply with, simply because they were not raised in accordance with the prices and production index. The Open Market became then a mere 'discount window', an extra and discreet means with which to finance the banks and the Treasury (E. Faure lamented that the Banque could have saved his government if it had only been more generous on the Open Market). In the end, it took over twenty more years to promote the Open Market to the point where it constituted the principal activity of the Banque.

In the end, during the years following World War 2, the position of the Banque was highly paradoxical. On the one hand, it maintained the pure fiction of a real discount policy, whereby the rate of discount mattered and signatures had to be carefully screened. In reality, an overwhelming part of its credits did not necessitate screening, being State credits, and the rate was simply not efficient enough to limit the monetary creation. Part of that fiction relied upon quotations of Count Mollien or principles alike. In reality, the Banque exercised exactly the contrary of a sound classical discount policy - a policy

typically characterised by short term, screened real bills - by imposing the most severe ceiling upon commercial bills which are by nature inflationary. Furthermore, it failed to impose any such ceilings upon mid-term credits, treasury bills, and other special loans, repaid only through new discounts.

How to explain such a paradox? Firstly, I do not believe in pure cynicism: if such a strange pattern is possible, it must be for good reason. One must not forget that banks do not create banking; on the contrary, the 18th century saw successful banking without banks, while the first two or three decades of the 19th century witnessed unsuccessful banks without banking. The institutional bias, then, is not only an historian's but that of many Frenchmen of the 19th and 20th centuries who came to associate the discount institution with the monetary stability of the 19th century which followed 10 years of monetary turmoil. The dire straits that followed World War 1 reinforced that feeling, the heavy State advances in the Banque's balance sheet illustrating the consequences of letting down a sound discount policy. Yet it is also true to say that, from its creation, that sound doctrine had built-in flaws which proved to be more fatal as time went on; namely an outdated vision of the real bill of exchange and of what discount as a liquidity and solvability risk actually meant. Furthermore, the discount policy, as well as the very instruments which it utilised, evolved only slowly, followed reluctantly by the Banque de France. If there is a 'banking backwardness' in France - and the evidence certainly points in this direction - it is not to be found in the number or type of banks - those are mainly a reflection - but in the social, legal and political fabric into which these banking institutions were embroidered.

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Research Project

Multilateral Liberalization of Trade in Financial Services The OEEC Experience, 1948 - 1961



The Organization for European Economic Co-operation (OEEC) is well-known for its contributions to European post-war reconstruction. An extensive literature exists on the economic effects of the Marshall Plan, which was administered by the organization, and its contributions to western European economic integration. With respect to the latter task, the OEEC undertook two closely connected activities: the relaxation of quantitative restrictions on trade in goods and the restoration of current account convertibility. In both cases, progress was substantial.

The research project focuses on OEEC initiatives on Western European integration, which have been completely ignored by the literature. In its activities in the 1950s, the organization did not only focus on trade in goods but also on trade in services and especially on trade in financial services. The basis for these activities were the Code of Liberalization of 1951 and the Code of Liberalization of Capital Movements of 1959. For each Code an extensive catalogue of obligations was drafted for financial services on the basis of experiences with liberalization of trade in goods and current payments. Among the most important multilateral trade policy principles adopted by the financial services sector was unconditional MFN. Other elements of the program were agreements on (1) the overall objective of progressive liberalization, (2) a catalogue of concrete liberalization measures, which was expanded periodically, and (3) rules under which conditions member countries could make reservations against the Codes. At the same time, the initiative had some remarkable weaknesses. Compared with today's rapid finan-

cial market globalization, the catalogue of liberalization measures agreed upon by member states was poor. With few exceptions, only personal financial transfers and financial services indispensable to the smooth conduct of goods trade - for example trade credits and maritime insurance - were considered. Another weakness of the program was the absence of an efficient enforcement mechanism.

This study of the OEEC's efforts to liberalize financial services fills not only a blank spot in our picture of the organization's activities but also provides new insight into the origins of today's financial market globalization and its underlying policy decisions. Multilateral liberalization of trade in financial services, as attempted by the OEEC in the post-war years, gained momentum only in the 1990s with the implementation of the European Single Market Programme and the WTO Financial Services Agreement. The OEEC was the first international organization to undertake such an initiative. It thus established a learning process, which in the 1960s, '70s and '80s was largely carried out in the European Community.

At the same time, the limited success of the OEEC initiative can by no means be attributed solely to a lack of experience. First results of the research project suggest otherwise: in the immediate post-war years, a lack of currency reserves and the necessity of rebuilding the "real" spheres of the economies were the main constraints to expanding the catalogue of liberalization measures. In later years, the development of the program was inhibited by the fast expansion of prudential regulation, which - with

its focus on safety and soundness of national financial markets - had strong protectionist effects. Another important factor that contributed to the lack of progress was closely related to one of the landmark decisions of the post-war era: the establishment of the Bretton Woods System of fixed exchange rates. Because this system favoured fixed exchange rates and independent national monetary policy over short-term capital flows, there was not much room for liberalizing the large-sum trade business that has grown so rapidly in international financial markets in the last three decades.

While liberalization of trade in financial services faced more restrictions in the 1950s than today, quite a few of the arguments used at the time against expanding financial services liberalization had strong protectionist undertones. As the OEEC experience shows, many opportunities for liberalization that existed despite the constraints of the system of fixed exchange rates and concerns for the safety and soundness of national financial markets were not taken. Thus, the OEEC experience teaches not only a lesson on the origins of multilateral liberalization of trade in financial services, but - through its limited success - also on protectionism in these services in the era of fixed exchange rates.

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The Crisis and Rescue of the Czech Banking System between the Two World Wars

Banking crises are not an unusual phenomenon in Czech history. In the second half of the 19th century, the Czech banking system was hit by a major crisis which erupted on the Vienna stock exchange in 1873 and spilled over rapidly to the Czech lands. Initially the crisis manifested itself in a drastic slump in stock prices, but this stock market crash soon developed into a full-blown economic recession which progressively affected all forms of business. The majority of Czech commercial banks did not survive the crisis of the 1870s.

The 1870s banking recession in Austria-Hungary was a consequence of a liberal private enterprise culture that neither the legal system nor the state administration was prepared for. There was also a lack of will to act against the market excesses of the time. The risky, and economically and socially irresponsible, behaviour of joint-stock companies, including banks, was reined in only with the issuing of an Order of the Emperor on 20 September 1899.

In addition to its legal and administrative facets, the crisis had significant psychological aspects. Before the Czech banking system could overcome the effects of the 1870s recession, confidence had to be restored in banking transactions. This, however, was a long, slow process. The hopes for renewed public confidence were not realised until the early 1890s, when the often protracted proceedings to liquidate the failed banks came to an end. An incipient economic boom and the continuing economic emancipation of the Czech nation also fostered the right climate for the development of Czech financial institutions. Between the 1890s and 1913, the Czech banking system experienced no major upheavals.

The establishment of the independent Czechoslovak Republic created a good environment for the banking system and the com-

mercial banks on its territory to develop. The national Czech financial institutions had the best chance of adapting to the new conditions. The process of creating a credit system in the new State was completed in the early 1920s.

From late 1919 onwards, a general rise in production and the development of commerce led to the establishment of new banks, an expansion of branch networks and rising turnovers in already existing institutions. However, the economic upswing in 1919 - 1921 was not a classic boom. It was extensive in nature, bolstered by the euphoria that followed the establishment of the new State as well as support from the supreme state authorities and speculation on long-term growth of the national economy. Numerous shady personalities entered into business in an attempt to get rich at companies' expense. New banking and industrial enterprises were thus set up on dubious foundations with insufficient capital and reserves.

The risks culminated in spring 1921, when a liquidity shortage led some financial institutions to renege on deposit agreements by offering higher rates of interest. Moravsko-slezská banka, which was convicted of this offence, was even threatened with exclusion from the industry's most influential lobbying organisation - the Union of Czechoslovak Banks.

The shock hit the credit system with full force in autumn 1922. Worst affected were the newly established banks and those that had been expanding too quickly. The latter had been opening new businesses irresponsibly and were too closely involved in firms whose profits - and often entire existence - were dependent solely on the unusual post-war conditions. The difficulties were also due to rash issues of shares and speculative trading in such shares, which often led to big losses. Corporate clients be-

came insolvent, which in turn triggered a wave of bankruptcies and compositions. Clients were thus unable to meet their obligations. For inexperienced banking institutions with minimal reserves, this was a catastrophe. They became illiquid and started going under. The crisis culminated in October 1922, when Moravsko-slezská banka v Brně failed, suffering losses of almost Kc 193.5 million on share capital of Kc 40 million and reserves of just Kc 10 million. This set off a wave of collapses of banks and businesses, referred to in the language of the time as a deflationary crisis. Shortly thereafter, Banka Bohemia and Pozemková banka failed as well. The banking crisis also affected other small banks such as Československá lesnicko-dřevářská banka v Praze and Banka pro průmysl pivovarský v Praze, which were forced to close their doors in the years that followed.

The bankruptcies and liquidations hit not only the national Czech banks, but also German, Slovak and Hungarian institutions such as Deutsche Bank in Liberec. Joint-stock commercial banks were not the only ones to collapse; private banks failed as well. The national central bank recorded 16 bankruptcies at the start of 1925.

The bank failures not only harmed the Czechoslovak credit system but also took their toll on the consciousness of society as a whole. Panic broke out. Fearing for their savings, depositors started a run on the banks.

The bankruptcies of banks and the large losses of other financial institutions forced the political elite of the First Republic to start tackling the banking system's problems head on. In spring 1923, the "Political Ten" - a committee made up of representatives of the ruling coalition parties - met to discuss the situation. Among other things, the committee instructed the Ministry of Finance to rush through legislative and administrative measures to allow inspections in banks, safeguard deposits, to obtain a picture of the banks' true financial condition, and so on.

The politicians may have been intent on

resolving the banking crisis in radical fashion, but their plans were none too sensitive or prudent. Representatives of the central bank only narrowly succeeded in forestalling a serious debate on a general deposit moratorium. There is no doubt that such a moratorium would have had major repercussions for internal and foreign policy. Confidence in the new State's credit system, and hence also in the stability of the Czechoslovak Republic, would have been seriously undermined. In the end, this extreme solution was defeated by a realistic proposal to delegate the matter to the central bank and the Ministry of Finance. These two institutions focused on correcting the legal framework within which banks operated and on securing funding for bank rehabilitations.

The preparations led to a set of five laws being adopted in October 1924. These were intended to help resolve the banking crisis and lay down principles to prevent similar risks from arising in the future. In this respect, Act No. 237 and Act No. 238 can be considered the most important. These two laws established a Special Fund to Mitigate the Losses Arising from the Post-war Environment and a General Fund of Banking Institutions in the Czechoslovak Republic. Under Act No. 237/1924, the Special Fund was created through an issue of Kc 1,640 million worth of nominal 4% bonds redeemable over 40 years.

Acts 239-241/1924 were an attempt to enhance the security of deposits and items in custody. Most important for commercial banks was Act No. 239/1924, which made it more difficult to establish new banks and branches. Certain types of banking transaction were banned (e.g. commodity trading and direct speculation on the stock exchange). Internal controls were tightened up considerably and external controls introduced. The proprietary and criminal liability of members of boards of directors and supervisory boards was also increased.

Under a programme of direct financial as-

sistance, banks under rehabilitation were assigned Kc 700 million, banks in liquidation Kc 330 million, credit unions Kc 150 million, savings banks and provincial credit institutions Kc 110 million and non-credit unions Kc 350 million. The largest amount - almost two-thirds of the total - went to commercial joint-stock banks. Among the banks under rehabilitation, the biggest beneficiaries were Česká průmyslová a hospodářská banka (Kc 162 million), Agrární banka (Kc 100 million), Moravská agrární a průmyslová banka (Kc 83 million) and Deutsche Agrar- und Industrie Bank (Kc 25 million). The rehabilitation plan covered a total of 98 banking institutions from across the Czechoslovak Republic. Inspections revealed losses running to Kc 2.4 billion.

As for the banks that had gone bankrupt, Moravsko-slezská banka received Kc 118 million, Banka Bohemia Kc 118.5 million and Pozemková banka Kc 93.5 million onto their liquidation accounts.

For the banks under rehabilitation, the Special Fund bonds often meant salvation, or at least a considerable financial boost. But for the banks with sound finances and who were not in need of rehabilitation, the bonds became a burden. For example, the most stable bank of them all, Zivnostenská banka, was forced to accept and pay for bonds totalling more than Kc 10 million. Its annual contribution to the Special Fund was Kc 2 million. No wonder its executive director Jaroslav Preiss complained that the bank was paying its own competitors. But it had to abide by the law.

The credit system recovery process in the 1920s dealt not only with the issue of loss coverage, but also with safeguarding the future development of the system (in particular through deposit guarantees). A specific institution was established to grant financial assistance to financial institutions in case of need. To this end, a General Fund of Banking Institutions in the Czechoslovak Republic was set up under Act No. 238 of 10 October 1924. The Fund's assets

consisted of contributions from financial institutions. Each bank's contribution was based on its deposit and revenue volume.

The second phase of the recovery process was a concentration of the banking sector, overseen by the state authorities and the central bank. The mergers were often preceded by rehabilitation programmes, which were an essential precondition for stabilising the shaken banks. In some cases, such rehabilitations were done more or less on the quiet, so as not to damage the reputation of the banking sector and undermine public confidence.

One example is the amalgamation of the Moravian banks, a process which took place in the latter 1920s and ended with the establishment of Moravská banka in 1928. Then there was the merger of Anglo-československá banka, Česká komerční banka and Pražská úvěrní banka, which can be seen as the crowning glory of mergers as a form of rehabilitation of the Czechoslovak banking system.

The mergers were accompanied by state guarantees, which the government channelled into selected financial institutions via the minister of finance. These guarantees were issued chiefly for expected losses arising during the take-over of bankrupt banks. This was not, however, the only assistance provided.

Another form of assistance involved ministries and other central institutions lodging deposits with financial institutions. To give just one example, in 1926 the Finance Ministry had Kc 45.4 million deposited at Zemská banka pro Čechy and Kc 27 million at Pražská úvěrní banka.

The efforts to prevent a repetition of the crises in the credit system also included establishing or proposing new institutions to eliminate negative phenomena in the banking system through timely controls and proposals for effective measures. Under the Banking Act No. 239 of 10 October 1924, Jednota, revizní a důvěrnické společenstvo československých bank v Praze (Union, inspection and trust as-

sociation of Czechoslovak banks in Prague) was set up. The Union was financed by contributions from banks. Inspecting the individual banks, especially those in difficulties, proved to be a costly and time-consuming business.

Another such institution was Ústřední smírčí orgán ve všech peněžnictví v Praze (Central Arbitration Authority in Banking Matters in Prague), established in November 1928. This authority's terms of reference included dealing with complaints about unfair competition, filing proposals with the state authorities for the punishment of institutions for violating the rules of competition, and conducting investigations into how such rules had been violated.

The banking crisis and its effects on business and small savers received much comment in the press. The left-wing press in particular used the crisis to strongly criticise the banking system and, in a wider context, the situation in society. The popular pejorative image was that of the bank manager with an undeservedly large income, a hedonistic and indulgent lifestyle, and friends in high places. According to some sections of the press, taxpayers were paying for "the thievery of the supporters of the government coalition" out of their own pockets. From this point of view, the bank rehabilitation process became virtually an official means of corruption, and there was even talk about "the political rehabilitation of banks".

The negotiations on the allocation of rehabilitation funding were confidential and non-transparent to the public. This generated understandable dissatisfaction among the business community. In a document entitled *'Our banks. Moral rehabilitation must precede financial rehabilitation'* presented to the President of the Czechoslovak Republic, T. G. Masaryk, in 1927, the leading entrepreneur of the time, the world-renowned Tomáš Baza, remarked that banks were being bailed out by the state while their representatives, far from being punished for the losses, were in fact profiting from them personally. "There is no difference between a

rich bankrupt and a criminal," he averred uncompromisingly.

Overall, one can say that the banking crisis in the early 1920s was an integral part of the 1922 - 1923 deflationary crisis in the Czechoslovak Republic. It is symptomatic, however, that the banking recession lasted longer than the overall economic turmoil. Its causes were both objective and subjective in nature. The establishment of the independent Czechoslovak Republic was followed by a period of euphoria fuelled by politicians and state officials. The representatives of the new State were convinced that independence and the introduction of democracy would be followed by a period of economic prosperity and social stability. The principles of unfettered liberalism were to be the means of achieving economic growth. Most financial institutions, including banks, succumbed to this optimistic outlook for the national economy.

The managers of banks with a longer tradition and experience of the severe crisis of the 1870s maintained a sober and prudent attitude, Zivnostenská banka being a typical example. However, most representatives of financial institutions fell sway to the atmosphere of the time, giving the go-ahead to problem loans with insufficient coverage, approving risky start-ups in various industries and indulging in speculation in securities. Some senior officials were guilty of lining their own pockets and mismanaging their banks. Repercussions were inevitable. Many banks lost their mobility and liquidity and went bankrupt. Other institutions suffered heavy losses.

The state authorities and the central bank tried to allay public fears. To this end, they chose quite a sensitive approach to the depositors of bankrupt banks. Small savers with Pozemková banka and Banka Bohemia got their savings back in the full amount. In other cases, however, less compensation was given. Another tactic meant to quell public anger was to put representatives of the bankrupt institutions on trial.

However, most escaped with little or no punishment as their experienced lawyers took advantage of legal loopholes and problems with the evidence (no proof of guilt was established in banks during the investigations).

Despite initial efforts, the banking system was unable to cope with the situation on its own. The State was forced to intervene to prevent a chain of bank failures and a potential financial collapse. The 1924 banking acts set out a legal framework for resolving the banking crisis and strengthened the role of the State in the banking industry.

Under these banking acts, a Special Fund to Mitigate the Losses Arising from the Post-war Environment was created and a rehabilitation plan prepared. This proved to be a lifeline for several dozen banks. In some cases, the rehabilitation process was insufficient and more options had to be found.

In the initial shock of the crisis, the political elite proposed a number of authoritarian measures, such as a general moratorium on deposit withdrawals and a press embargo. Aware of the potential domestic and international fallout, the central bank's managers disagreed with such extreme measures, as the Czechoslovak Republic would have lost credibility. The idea of a rehabilitation package funded by the State and the credit system as a whole was chosen as the solution to the crisis. The losses were thus covered by sound banks, taxpayers and practically the entire population of the country. The Special Fund bonds issued in 1926 (1st issue) and 1932 (2nd issue) totalled almost Kc 2.4 billion, of which the Special Fund paid interest on and redeemed more than Kc 2.1 billion and the General Fund Kc 270 million, bearing in mind that the total volume of currency in circulation at that time was around Kc 8-10 billion.

For some banks, though, the fixed rehabilitation contribution was not a necessity, but rather a cheap loan to enhance their mobility.

The State administration simultaneously

tried to address the banking sector's problems by means of concentration, in other words through mergers, the ultimate goal being the formation of large and stable banking organisms. Although the rehabilitation programmes proved successful, as there were no further bank failures, the consolidations only partially achieved their goals. The mergers of better-performing banks with problem institutions generated complications even in the sound banks. The volume of outstanding loans increased, reorganisations had to be implemented, and so on.

It also became clear that the state did not have equal relationships with the banks. Much depended not only on a bank's real condition, but on the quality and level of its connections, interventions and lobbying. However, an institution's nationality was not the deciding factor in this respect. Not only did the State bail out Severočeská banka in Litoměřice, a product of post-war Czech economic nationalism, but it also (via the central bank) helped the German institution Kreditanstalt der Deutschen, which had been hostile to the Czechoslovak state.

However, the banking crisis of the 1920s did not have negative effects alone; it also killed off non-viable banks. For those that survived it was a salutary experience, one which they were forced to bear in mind in the years that followed. The crisis exerted some pressure for greater efficiency and lower overheads (through, for example, better loan tracking and recovery and streamlining of branch networks). Those banks which managed to survive the shock, and consolidate their internal processes and their contacts with customers, had a good opportunity to stabilise and develop during the subsequent boom in the Czechoslovak national economy.

The situation in the banking industry was, not surprisingly, complicated by the great economic crisis of the early 1930s. Production, investment and lending all fell drastically. In the financial sector, the crisis brought on a new wave of deposit withdrawals and frozen funds.

Banks handled the losses by reducing their reserve funds and share capital and by drawing subsidies from the General Fund. Intervention by the state led in 1932 to an amendment to the banking acts, tightening the controls on banks' performance and setting limits on the accumulation of lucrative posts by their managers, most of whom were on the boards of directors of all sorts of corporations.

The great economic crisis of 1929 - 1934 caused problems for Anglo-Ceskoslovenská and Pražská úvěrní banka, and to some extent also Česká průmyslová banka and Moravská banka. Under a government decision of July 1932, these institutions received almost Kc 1 billion in public money and the General Fund. Anxious to prevent the collapse of a strongly pro-German and anti-Czech institution, the government in neighbouring Germany and its financial institutions provided assistance to the troubled Kreditanstalt der Deutschen in the form of rehabilitation loans.

The deep economic crisis of the early 1930s drained banks' liquid funds and squeezed their profits. The need for credit meanwhile fell as investment activity declined in industry. But the managers of most banks had learned the lessons from the turmoil in the first half of the previous decade. Consequently, they coped with the crisis in a generally appropriate manner, by reducing share capital, rein-ing in lending and start-up activities, and strengthening reserves. All the Czech banks cut back considerably on asset and liabilities transactions during the crisis. They also made use of temporary balance sheet relief and brought their balance sheets into line with reality. First they liquidated their own shares on nostro accounts and wrote off the face value from their share capital. Then they also decreased their share capital and utilised their reserve funds. The crisis was withstood best by the large banks, in particular the largest and most successful commercial bank Zivnostenská banka, into which many clients of other financial insti-

tutions poured their deposits in these economically troubled times. The experience of the deflationary crisis of the early 1920s enabled banks to respond better to the situation and to adopt effective measures, and so there was no wholesale collapse of commercial banks this time. In the mid-1930s, the Czechoslovak national economy started to pick up gradually. The turmoil in the banking system brought on by the great economic crisis was successfully overcome and the system was stabilised.

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The History of Lithuanian Gold Reserve 1920 - 1940

Lithuania gained its independent in 1918 after 125 years of occupation by tsarist Russia. Russian occupation combined with the hostilities of the First World War in the territory of Lithuania and the subsequent occupation by Kaiser Germany, had severely damaged the economy of the country and created poor conditions for its people. Foreign currencies were circulating in Lithuania and the level of inflation was very high.

When the hostilities of war finally ended, preparations began for the introduction of a national currency. The question of coverage of the national currency, and therefore the formation of gold reserve, became very important. On October 2, 1922 the national emission bank, The Bank of Lithuania, began its activities and the national currency Litas was issued. The parity of Litas was 0,150462 g of pure gold or 1/10 part of the US dollar.



The Bank of Lithuania building in Kaunas built in 1929

On 7 May 1920, the peace negotiations between Lithuania and Russia began in Moscow. In light of the damage caused by the military hostilities, the Lithuanian delegation demanded compensation including the return of property, capitals and deposits brought into Russia during the First World War. The primary demand was 50 million Rubles in gold.

During these negotiations, the Lithuanian government was forced to yield due to the territorial concessions made by Russia, and received only 3 million Rubles in gold. In addition, only a small part of the other material demands were fulfilled and the deposits of Lithuanian people were never returned. According to the Peace Agreement of 12 July 1920, Russia was also obligated to return to Lithuania its archives, library funds, and museum valuables, but these obligations were also not fulfilled.

Lithuania owned gold in the form of tsarist coins coined in 1902. The weight of this gold equaled 2256 kg and was worth in the region of 15 million Litas. Later the majority of these coins were melted down into bullions.

In 1922, when the Bank of Lithuania was first established, the Lithuanian Government entrusted all gold to the Bank. By this means, the Government paid all the shares of the Bank of Lithuania while the remaining gold was exchanged into the national currency, Litas. Through this act and by the disposing of gold, the Bank of Lithuania was able to carry out the demands which had been defined by law, namely to cover with gold one third of Litas in circulation, one of the premises of the introduction and stabilization of national currency.

The charity of Lithuanian emigrants of the USA supplemented to a small extent the gold reserve of Lithuania in the years 1921 - 1922. Until 1925, the Bank of Lithuania also accumulated silver.

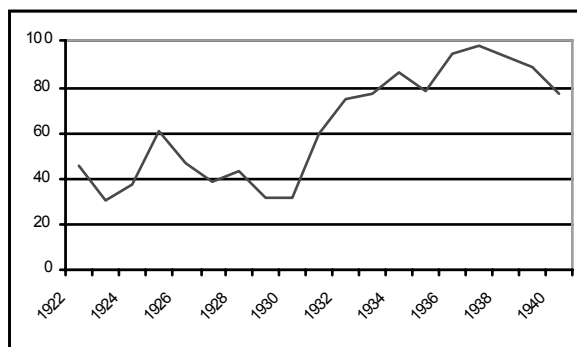
The majority of gold entrusted to the Bank of Lithuania was deposited abroad, in the National Bank of Switzerland (on 22 and 27 December 1922) and in the National Bank of Denmark (on 15 June 1923).

It was of course necessary to remove the gold from the Bank of Lithuania if only for the simple reason that usually gold is kept in those countries which form the world gold trading centres. Yet considering the current international political situation, it was also not safe to hold gold in Lithuania.

In the following years, the reserve of Lithuanian gold increased due to the active balance of foreign trade and the money remittances of Lithuanian emigrees. In the period 1923 - 1939, the value of exported goods compared to imports increased by 185 million Litass. Furthermore, before the Great Depression of 1929 - 1933, the remittances of Lithuanian emigrees often reached 30 million Litass per annum. The Bank of Lithuania accumulated this foreign currency and exchanged it into gold. Here it must be noted that the Bank of Lithuania also traded in gold when carrying out active operations.

Changes within the gold reserve were determined by one more factor - the situation of foreign currency rates. When the Great Depression occurred, the devaluations of foreign currencies forced The Bank of Lithuania to increase the amount of gold in gold-foreign currency reserve.

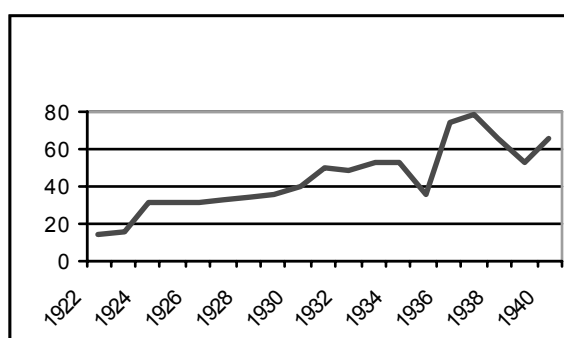
From 1931, the exchange rates of many foreign currencies began to fall. While trying to defend itself from losses occurring through the devaluation of currencies, the Bank of Lithuania exchanged the major part of foreign currencies into gold. Because of this, the structure of the foreign currency reserve fund in the Bank of Lithuania shifted dramatically in favour of gold.



The proportion of gold in gold-foreign currency reserve, in percentages

At the end of 1929, gold accounted for only 31 percent of the sum of the above mentioned fund while, at the end of 1937, gold accounted for almost 98 percent. In the years 1924 - 1939, the Bank of Lithuania bought gold abroad for 124.3 million Litass and sold it for 90.2 million Litass.

The biggest gold reserve (12 tons) held by the Bank of Lithuania was recorded at the end of 1937 and equaled a value of 79.04 million Litass; it had therefore increased 5.3 times in comparison with the bank's gold reserve in 1922. To put this into context, at the same time, Latvia possessed gold for 46.2 million Litass and Estonia, 54.7 million Litass worth of gold.



Gold reserve, in millions of Litass

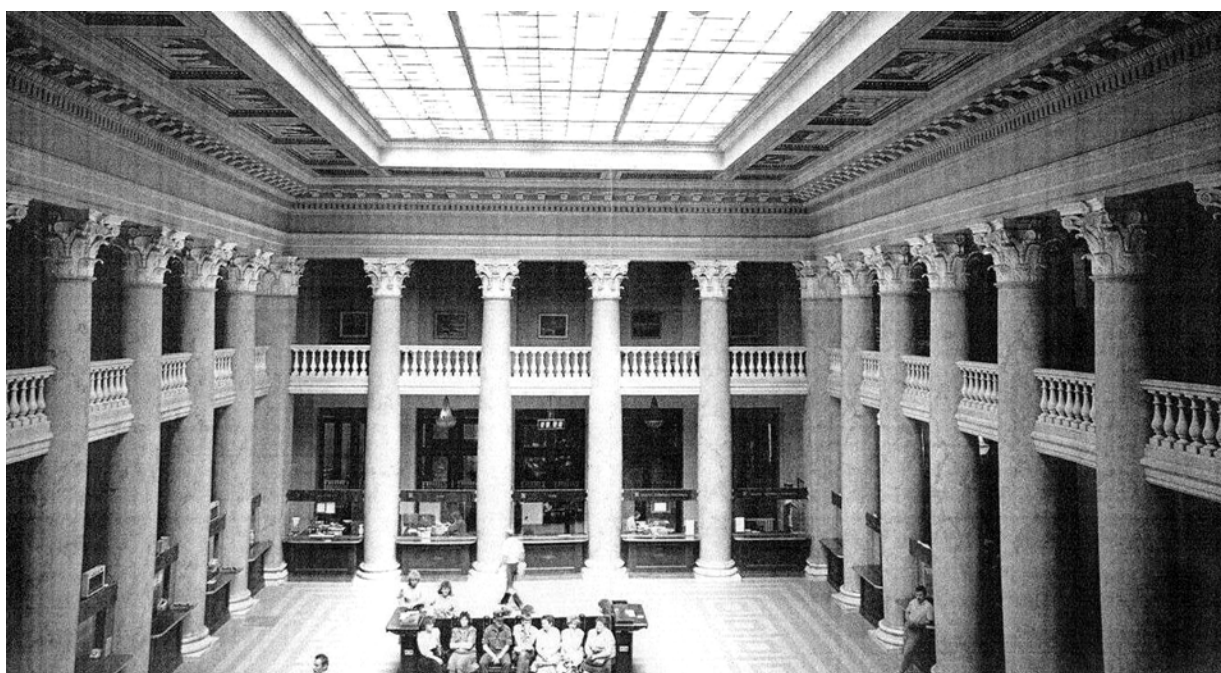
This considerable gold reserve enabled the Litas to remain strong. At the end of 1937, 67.8 percent of Litas was covered with gold. At the beginning of Soviet occupation (according to the 1 July 1940 accounting documents of the Bank of Lithuania), 63.8 million Litas in gold were deposited abroad while the amount of gold left in the Bank of Lithuania had a total value of 2.5 million Litas.

During the increase of the gold reserve of Lithuania, the number of custodians also increased and the form of gold was changed. Lithuania kept the gold in three forms: bullions (the main form), coins and certificates. For a long time in the National Bank of Sweden (Riksbank), the gold was deposited in coins (Rubles and Swedish kronas). Gradually coins were sold or exchanged into bullions.

Around 1928, the Bank of Lithuania bought 6.1 million Litas worth of gold in gold certificates from the American Exchange Irving Trust Company. On 23 May 1932, the Bank of Lithuania transferred the gold certificates under its disposal to the US Federal Reserve System bank for exchange into gold.

In the inter-war period, the gold of Lithuania was kept in the British, Danish, US, Swedish and Swiss national and private banks (Guaranty Trust Company and the American Exchange Irving Trust Company in New York, the British Overseas Bank in London, Rotterdamsche Bankvercinig and Amsterdamsche Bank in Netherlands) and also in the Bank for International Settlements, of whom the Bank of Lithuania was a shareholder from 1931 onwards.

On 10 May 1933, the Bank of Lithuania sold all of its gold (68.8 kg) held in the National Bank of Denmark while the following year, on 4 September, the National Bank of Switzerland bought a part of the 309kg of Lithuanian gold which the Bank of Lithuania had entrusted to its keeping. The remaining gold (649.5 kg) was transmitted to the Bank for International Settlements, from which 503 kg on 17 May 1940 was transmitted to the Federal Reserve System bank. Already on 14 December 1937, the bank of Lithuania had sold the gold deposited in banks in the Netherlands totaling 4.9 kg. As of summer 1940, the gold reserves of Lithuania were held in the following banks:



The Bank of Lithuania, interior

<i>Bank</i>	<i>kg</i>	<i>millions of Litas</i>
<i>Bank of England</i>	2946,9	19,6
<i>US Federal Reserve System</i>	2493,6	16,6
<i>Banque de France</i>	2246,5	14,9
<i>Riksbank</i>	1274,4	8,5
<i>Bank for International Settlements</i>	632,0	4,2

Most of the Bank of Lithuania's gold was entrusted to the Bank of International Settlements (612.2 kg), the majority of which was held in London with only a small part (19.4 kg) being kept in Bern. In this way, the gold of Lithuania was disseminated throughout the greater more impregnable countries for safety.

The Second World War brought with it a new and far greater threat. When Germany attacked the Scandinavian countries, Sweden did not evacuate its gold abroad but, according to information from the representative of Lithuania in Sweden, transferred the gold to a safer hold place in the country's periphery. When the Swedes did not agree to extend the same level of protection to the Lithuanian gold as that of the Riksbank, the Bank of Lithuania prepared to bring their gold back to Lithuania by plane. Later, the possibilities were examined to bring the gold into England but, practically, such possibilities did not exist. When Germany took occupation of Norway on 22 May 1940, the Swedish Riksbank returned its gold to its depositories. In June of 1940, the board of Riksbank, faced with such increasingly precarious conditions, appeared to return gold to Lithuania or at least to carry out of Sweden. But it was already too late. Subsequent events showed that it was not so important where the gold was kept, but more importantly who kept it.

The route of the Lithuanian gold deposited in the Bank of France (Banque de France) is not known. But the Bank of France returned all the same Lithuanian bullions of gold to the Bank of Lithuania in 1991. It is most probable that, in order to preserve its own gold and the gold of other countries (including Lithuania)

from the Nazis, France had relocated it within the US or Martinique.

As is already known, the majority of the deposited gold held within Great Britain, both its own and that of other countries (including Lithuania), was removed to the US during the war for security. Most probably the Lithuanian gold had been hidden in the depositories of Fort Knox.

Lithuania was occupied by the Soviet Union on 15 June 1940. Gold amounting to 2.5 million Litas kept in the Bank of Lithuania, silver coins of high standard in the mint, silver coin semi manufactures and other valuables fell easily into the hands of the occupants. Their only problem was with the seizure of Lithuanian gold held in other countries. On 6 July 1940, Vladimir Dekanozov, the representative of the Soviet Union at that time, ordered that all gold be transmitted to the State Bank of the USSR-Gosbank-, even though at that time Lithuania had not yet been officially incorporated into the USSR. The occupants were in a hurry, most probably were afraid that Western countries would block the transmission of this gold.

As far as we know, the USA, Great Britain and France acted exactly as they had predicted. On the 16 July 1940, the gold of all the Baltic countries in America was blocked by the decree of the President of the USA. England and France followed suit. The Kremlin was so impudent that on 29 July 1940 the ambassador of the USSR I. Maiskij dared to express protest to the Government of England about the gold of the Baltic countries. Analogical protests were expressed by Moscow to the governments of the USA and France.

It is indeed a pity that the occupants managed to partly achieve their aim: documents of the Bank of Lithuania show that Sweden transmitted 1274.4 kg of gold to Moscow on 22 July, 1940. This transmission of gold to Gosbank was however hidden from the nation; the data of accounts were in fact forged. According to a letter dated 7 December 1940, the Bank for In-

ternational Settlements sold 19.4 kg of gold held in Bern on 14 August 1941 and 42.8 kg held in London, but it is not clear to whom the gold was sold, by whom the letter was written and why an order issued at time of Soviet rule was carried out almost a year after Lithuania was already occupied by Germany.

The loss of gold or its suspension meant the destruction of the basis and stability of Lithuania's national monetary system, and ultimately the end of its international economical relations. Besides gold, the Bank of Lithuania had various currencies in the banks of the USA, France, Argentina, Belgium, and South Africa which, as of the day of occupation, equaled 13 million Litas; the fate of these currency reserves has never been examined and remains unknown.

The plundering of Lithuania's wealth by the USSR following its occupation also included treasures, 1.5 million Litas worth of which was taken from the safes of banks as well as a large quantity from 278 jewelry shops and the Lithuanian people. The latter sums are not known, but were most likely considerable due to the large amount of gold and silver artifacts in these shops. Those valuable items which the Soviets did not manage to transport to Moscow in time were captured by the Nazis during the war.

In 1967, H. Wilson's Labor Government of

Great Britain signed an agreement with the USSR, within which it proclaimed officially that the claims for the nationalized property in Baltic countries by the Soviet occupants would be compensated from the suspended gold and foreign currency and other reserves of the Baltic countries. This agreement concerning the division of the pre-war gold of the Baltic countries was consummated despite the protests of the envoys of the Baltic countries.

On the 11 March 1990, Lithuania regained independence. Its gold had only been completely preserved in France and partially by the Bank for International Settlements. France was the first to return Lithuania's gold on its own initiative in September 1991, without asking for compensate for its preservation.

Lithuanian gold from England and Sweden was compensated in currency.

On 30 June 1992, the membership of the Bank of Lithuania and its rights as a shareholder of the Bank for International Settlements were restored. This bank returned 600 kg of gold and 1000 of its shares.

The history of the formation, increase, preservation, seizure and eventual return of the gold reserves of Lithuania reflects the restoration, rise, destruction and anewed revival of the state of Lithuania.

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The Bank of France governor Jacques de Larosiere, left, returns Lithuanian gold held in France to the chairman of the Board of the Bank of Lithuania Vilius Baldisis, right

Banking architecture in France an overview with reference to Parisian buildings

This article - greatly inspired by “Les palais d’argent – L’architecture bancaire en France 1850-1930” J.-F. Pinchon. Ed. RMN, 1992. – does not pretend to describe French banking architecture in details but instead tries to give an overview of its most significant characteristics, particularly in reference to the head offices of these institutions built in Paris from the end of the XIXth to the middle of the XXth century. This period seems to be one of the most productive in French banking architecture: indeed, most of French financial institutions were created in the 19th century and wished to settle in appropriate buildings.



But what does “appropriate” mean for a great Parisian banker at the beginning of a new century? The building had to reflect the institutional values, and give an attractive image for the (potential) clients. Thus, the keywords are: stability, modernity, strength, trust and security.

The development of French banking architecture coincided with a period of great scientific progress with the Ecole Centrale de Paris (State school of engineering) playing an important role in these new developments. Since 1829, this establishment had trained engineers in scientific, building, and civil engineering techniques: this period therefore benefited from their experience and innovations too. French engineers had also developed new methods for building and deco materials, such as bronze, ceramic, glasses, and a completely new material: reinforced concrete.



Photo Guy Nicolas

A new artistic trend also appeared at this time, the eclectic trend, replacing the neo-classicism (used, for instance, for the Stock Exchange building), and mixed several, even opposite architectural styles:

- Italian Renaissance, characterised by columns, Corinthian pilaster or Cariatides on facades. J. Hermant, Société Générale’s architect, for instance, realized a bas-relief inspired by Michel-Ange
- Flemish Renaissance, giving an impression of stability and longevity
- French Classicism, giving an impression of harmony, balance and elegance

Art Nouveau only appeared in French Parisian banking architecture between 1904 and 1914, the most significant examples being in Nancy and its surroundings as the birthplace of this artistic trend. This modern trend, characterized by floral motifs, took also the texture of material into account so that the difference between structural, functional and deco elements became imperceptible.

At the end of the XIXth century, the region surrounding the new Opera House became *the* place for leisure, luxuriousness and business. Civil engineers, lead by prefect Haussmann in 1860s, created the great Haussmann boulevard where the “Grands magasins” (Galeries Lafayette, Le Printemps) settled. The Opera House itself, built by Charles Garnier, was a

place of recreation for the Parisian rich and middle-class people. Saint Lazare Station was also a central location in this area, being the arrival point of the numerous English and Americans, and of those living near Paris. Attracting rich and numerous people, this area seemed to be the most appropriate location in which to develop financial business. Thus, most of the bankers decided to set up their head office in this strategic neighbourhood - and they called on architects (e.g. Jacques Hermant in 1905 for Société Générale, William Bouwens van der Boijen in 1875 for Crédit Lyonnais) to realize modern, functional, luxurious, and secure buildings.

Thus, in this period of revival and innovation, the architects, influenced by eclecticism and Art Nouveau, worked closely with engineers who developed and/or used new methods and new materials:

- **Metallic framework:** a new sort of architecture made from girders joined together with rivets. The most famous advocate of this method is Gustave Eiffel, who built a number of Parisian monuments using this technique. These kinds of structure allowed constructions owning large surfaces yet without support and were typically used in buildings as a framework for a part of the roof, particularly domes.
- **Glass:** technical progress in the industry produced new kind of glasses. The combination of cast glass and the laminated glass permitted the creation of bigger glass roofs which were set within metallic frameworks. The cast glass – an American technique from Tiffany, first developed in France by the Appert Frères Company - is striped on one side and smooth on the other side, giving beautiful transparent and pearlescent effects. The laminated glass, notably produced by the Saint-Gobain Company, gave the impression of even higher perfection. These glass roofs, which naturally and most effectively lit the



Photo Guy Nicolas

public hall, afforded the glass makers the opportunity to demonstrate their engineering techniques and own art. Yet glass was also used as a flooring material: pavement lights, in particular developed by 'Saint-Gobain' and 'Amiche et Boussois' companies, replaced concrete, allowing basements to be lit by natural light too.

- **Reinforced concrete:** this material caused a real revolution within, although also restricted to, building methods. Following its application by Charles Garnier within the construction of the Opera House, Jacques Hermant notably used it for its water impermeability and strength. These quali-



Photo Dieter Kik

ties, combined with its low cost and increased safety compared to materials popular in the XIXth century, ensured that, from the very beginning of the XXth century, reinforced concrete began to replace metallic frames, glass roofs and pavement lights.

- Compressed air network: appearing at the time of, and thereafter replacing, steam engines, this new network in Paris was used for heating, ventilation and for pneumatic internal communication system.
- Electrical current

Through the application of these new technologies, bankers were able to express the much desired image of modernity and dynamism which they believed embodied the spirit of their business.

Luxuriousness was expressed by the use of materials such as marble, ceramic for mosaic pavements, or bronze. The Bouillet et Christofle Company was particularly well known for their

bronze works at this time. In the middle of the XIXth century, Henri Bouillet, from “Bouillet et Christofle”, had developed a technique using galvanization which, through the use of electrolysis, meant that a much thinner layer of bronze could be used to cover a mould. Although there was no discernible difference from a real bronze work, costs were obviously substantially reduced.

Security measures at this time were characterized by the vaults and the railings. Access ways to the vaults was made as luxurious as possible and were mostly decorated with marble, mosaics or bronze. The safe deposit boxes were made from polished metal, giving a warmer appearance, and were protected by a steel security door. In France, these doors were almost exclusively built by the “Fichet” company.

While railings were also employed for security reasons they also differentiated banks from shops. From the XIXth century until World War I, railings imitated the wrought irons typical of the previous century and depicted the monogram of the bank. After 1918, however, thanks to the scientific progress in iron and soldering engineering, the railings decorations were renewed and refined.

After the Great War and during the inter-war period, the decorations were primarily influenced by the XVIIIth century style or the Art Deco trend, using columns, stucco decorations, and marble. The now widespread use of electrical lighting offered a perfect way to set off all these elements and maximize their aesthetic qualities. Even though artistic styles and technologies had changed, the bankers aim was still to own buildings which combined solemnity, security and sumptuousness.

“*Là, tout n'est qu'ordre et beauté, luxe, calme et volupté*” wrote Charles Baudelaire in his poem « L'invitation au voyage », but, when referring to Parisian banking architecture, one might have written “There, it is all greatness and beauty, luxuriousness, safety and modernity”.



Photo Benoit Roland

The example of Société Générale

In 1864, when “*Société générale pour favoriser le développement du commerce et de l’industrie en France*” was founded, its head office and main agency were settled in Rue de Provence, in the area around the new Opera-House and Saint-Lazare Station. Yet, at the very beginning of the XXth century, it became clear that this building could not accommodate such a dynamic and thriving bank. In 1905, the Board of Directors decided to buy a group of buildings along Boulevard Haussmann, situated behind the Opera House though in close proximity to the others great banks (Crédit Lyonnais, Comptoir National d’Escompte) and in the heart of the area of leisure, luxuriousness and business. J. Hermant, a famous Parisian architect, was asked to create a modern, innovative, comfortable and luxurious banking agency. Influenced by the artistic trends and new technologies of the time, he gradually completed this challenge from 1906 to 1912.

The buildings bought by the bank were furnished with stalls on the ground floor and apartments on the upper floors. All original features would have been destroyed were it not for a decision from the Parisian municipal administration which obliged the bank to conserve the same architectural style for the facades: free-stone, Corinthian style for the median levels, and balconies for the higher levels. Hence, while inside the original interior was destroyed and subsequently rebuilt, the façade was kept quite identical – even to today. J. Hermant proceeded in creating a “gabriélien” style entrance, with a sculpted pediment, and a group of cariatides on the pilasters. On the ground floor, replacing the stalls, he built walls with arched openings secured by railing made from wrought iron in a neo-Louis XV style.

The Sainrapt et Brice Company, specialists in reinforced concrete, were commissioned to build five levels of basement in order to install the vaults. The basement was build with

several coffers made from reinforced concrete, the impermeability of which was unequivocally proved during the spectacular rise of the Seine in January 1910. The metallic framework, built by the Moisant, Laurent et Savey Company, resembles the frame of an umbrella, mounted on pillars. This framework effectively supported the glass roof, made by Jacques Galland. He used monochromatic cast glass, and mixed orange, yellow and white. For a harmonious deco, these colours were also used for the mosaic pavement, creating an echoing effect of the glass roof within the floor design. This pavement is one of the first works of Bourdet and Gentil, two architects who later became the most renowned specialists for sandstone mosaic in Paris.

For the decorations, J. Herman called on the acclaimed “Bouillet et Christofle” company. They fabricated all the deco elements in bronze, using the galvanization technique, including

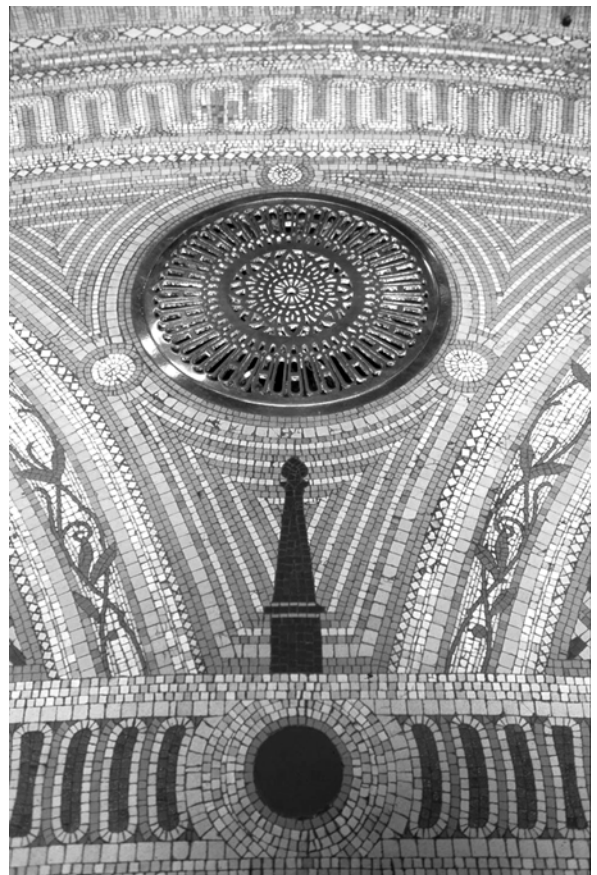


Photo Benoît Roland

medallions representing the main towns of France in which Société Générale had settled, rosettes in the glass roof and for banisters, chandeliers and so forth. Decoration elements are also made from ironwork such as the balconies, banisters, railings, as well as the frieze under the glass roof, complementing perfectly the bronze deco.

The basement houses two of the most fundamental elements of the bank, both as a building and as a financial establishment: on one hand, here one can find all the heating and ventilation systems for the fundamental functioning of the institution and, on the other hand, this is the home of the vaults.

The machinery and entire system necessary to bring modern comfort for clients and employees used a compressed air system (thanks to the Parisian network) and steam engines to control heating and ventilation. This kind of energy, generated from the compressed air system, was also used to install a pneumatic system to transfer documents within the building.

Nevertheless, alongside the dome and the glass roof, the most significant part of the building was the vault and its highly original and innovative door. In 1910, J. Herman crossed the Ocean to visit the vaults of several banks in the USA and Canada. There, he saw a new sort of security door, unknown in Europe: a circular

door, with “time-lock” system to control all access. Thus, the Fichet Company was asked to realize such a door for Société Générale. This door, made from several layers of steel, weighs about 18 tons, is 40cm thick and has a diameter measuring 2,76m. For added security, the door comprises two armour platings, a layer of reinforced concrete and a layer of iron railing. Obviously imperforable, the design gave an impressive of immoderation and impregnability, just as J. Hermant had wished. The entrance is also fitted out with an internal door, a vestibule and a set of railings. The vault occupies 4 levels of the basement and, in 1912, contained 561 security boxes made from polished steel also constructed by ‘Fichet’.

Regarding the public hall, the organization of the positions was also an innovation: rather than forming a “U” shape, J. Hermant decided to install a large circular position, directly beneath the dome, as the main services centre for clients. This design facilitated both circulation and orientation. In 1919, due to an increase in operations and the relocation of the head office within this building, a mezzanine was built under the four sides of the glass roof.

Today, the building is remarkably unaltered since it first opened its doors in 1912. The dome, vaults, and intricate decorations still impress every client and visitor.

Catherine Dardignac

Archives historiques
Société Générale



Photo Benoit Roland

The European Association for Banking and Financial History e.V.

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Alpha Bank

Conference "The Human Factor in Banking"

Athens 2004

The EABH annual Conference was held in Athens, on 28th -29th May 2004, kindly hosted by Alpha Bank on occasion of its 125th anniversary. The Conference, which was one of the most well attended in the history of the EABH, brought together scholars from all over Europe and beyond. The meeting was opened by the chairman of Alpha Bank, Mr. Yannis S. Costopoulos, and also the new chairman of the EABH, Dr. Willem F. Duisenberg, who made the inaugural speech.

The subject of the Conference proved to be a most interesting one and there were very fruitful and informative discussions following every session. Its aim was to explore the key issues of the broad theme of the human factor in banking - from the founders of the banks to those who administered and guided their business and those who staffed banking houses, offices and branches. In this broad thematic framework, the speakers, comprised of both established academics and archivists, provided a variety of approaches and methods and made a valuable contribution to a current debate, which, until now, has mainly been discussed by economists and other social scientists and had therefore lacked a systematic historical perspective. From that point of view, we should not forget that bank archives could be an important source of social history. There is much to be learned about employment, training, management and even social life in bank archives.

The conference was initiated with an introductory paper presented by Professor Kostas Kostis (University of Athens/Alpha Bank), whose presentation shed important light on some of

the crucial aspects of the development of the Greek banking system during the 20th century. In an attempt to provide a balanced and objective assessment of Greek banking system, Professor Kostis highlighted its core determinants which are inextricably intertwined. At a first level of analysis, he drew attention to the structural elements of the system and their evolution throughout the century. By indicating some of the dates that constitute significant landmarks in this process, he epitomised the modernisation of the Greek banking system as an attempt to incorporate international standards. From another level of analysis, he explored the running of the financial institutions as well as the operation of the system in order to ascertain the degree of extroversion and introversion of Greek banks. With regard to these aspects, Professor Kostis pointed out that one of the standard features that distinguished the Greek banking system throughout the 20th century was its extremely high concentration, which affected its stability, and also the financing of the economy. Finally, emphasis was given to the role played by banks in the country's economic development probing the peculiarities of the Greek case.

The second contribution, which closed the first session devoted to the case study of Greek banking system, came from Professor Alexandros-Andreas Kyrtis (University of Athens). His paper examined the impact of technological innovation in general and information technology (IT) applications, with Greek banks providing a particular reference point, which have followed the patterns of radical technologi-

cal change both in terms of business models and organisational process since the early 1970s. By analysing the great wave of fundamental computerisation of Greek banks, Professor Kyrtis was able both to provide a convincing argumentation of the profound impact on these changes to the organisation of the work as well as the occupational identity of the employees and, at the same time, to show how this tendency could affect the structures and the operational content of banking information systems. Placing his case study in these contexts, he insisted that, although the computerisation of Greek banks is not lagging significantly compared to other developed banking systems, it is suffering in terms of systems integration and organisational culture. This is particularly true to the new challenges that were faced by the banking information systems in the Greek financial sector where "handling organisational aspects and consequently, also the human resources aspects, becomes even more important than decision on acquisition and use of new hardware and software components".

The second session was dedicated to the Bankers and Entrepreneurs, a subject which was discussed from three different points of view. In the first, Professor Cassis (former Université Pierre Mendes, France Grenoble II) provided a short survey on the establishment of banks from the late 18th century to the present. After formulating a broader theoretical framework, where the basic concepts of banking and entrepreneurship are clarified, he traced the matter of the establishment of banks, paying particular attention to the various waves of foundations of banks, the types of banks emerging during each period, the founders of these banks, and the impact of the creation of banking institutions. Yet he also provided interesting comparisons between countries as well as between the banking sector and other business activities. On the basis of such a multi-levelled approach, we could find out some broad patterns in the establishment of banks despite the enormous diversity

of cases. At the same time, in investigating the question to what extent the entrepreneurship could be the driving force behind the creation of a bank, Professor Cassis insisted on how the personality of the founder can shape, over the long term, the development of a business enterprise. However, he pointed out that the concept of entrepreneurship should also be applied to business groups and networks of relationships, which represent a specific form of entrepreneurship.

The next paper was presented by Dr. Stefano Battilossi (Universidad Carlos III Madrid), which epitomized the contribution of "new" banking history to both theoretical and empirical analysis. He outlined, almost epigrammatically, some dominant theoretical models of banking, their implications upon the two basic functions of brokerage and portfolio transformation as well as their impact on the correlation between financial factors and economic growth. Thereafter, Dr. Battilossi investigated the controversial matter of the causal link between financial intermediation and economic development under the light of all the critical contributions that appeared by economic and banking historians in the recent literature in order to demonstrate the substantial value of "new banking history". By appreciating the theoretical advances that were brought out from the new historical insights, Dr. Battilossi illustrated how great the impact of historians is not only to dismantle stereotype models but also to explain the variance of financial structures across countries. At the same time, this historical method is essential to conceptualize the nature of banks as socially constructed and historically specific institutions whose function and performance are dramatically shaped by the social structure, the cultural environment and the legal and political set-up. In such a perspective, Dr. Battilossi underlined the important contribution that could be made by historians to the "big issues" of recent theoretical developments, daring to ascertain how the next big issue for the new banking history could be.

The last paper of the second session was provided by Professor Terence Gourvish (London School of Economics) in an attempt to illustrate the challenges that might be faced by those scholars who wish to analyze the subject of project finance, especially large projects that involve many actors and in which historical analysis requires one to move across many corporate boundaries. Building on this principle, he investigated, in an exceptionally extensive way, a stillborn project: the first serious attempt of Technical Studies and Rio Tinto to build the Channel Tunnel beginning in the late 1950s, which ended with the British Government's decision to abandon the scheme in January 1975. Insisting from the outset that the insights into the notion of project finance are depended on the scope of the surviving archival records, Gourvish presented in a synthetic way the results of his research in relation always with three particular matters: the nature of entrepreneurial intervention in Mega projects; the challenge of the public-private interface; and the 'large infrastructure project circle'. For all these matters, he illustrated particularly enlightening lessons that either concerned the limits to the 'entrepreneurial spirit' within a promoting group and the distinct limits to the risk-taking which the private sector was prepared to bear or the difficulty of progressing the project on terms acceptable to both the public and private sectors.

The next session examined the theme of bank managers and all the contributions seemed to share the idea that, despite the rich historiography in the field of banking history, we really know too little about the social origin of managers in terms of long-term and comparative perspective as well as of prosopographic studies. Professor Ginette Kurgan van Hentenryk (Université Libre de Bruxelles) emphasized the point of the social origins of bank managers starting from the case of Belgian bankers, whose history has recently attracted scholar attention, in order to shed light on the following crucial questions: the myth or reality

of the self-made man; how professionalization influences social recruitment; the relationship between social origin and development of the career and, finally, how does social origin influence the bank manager's network building, status and power. Although all these matters would need to be confirmed in future research at a European comparative level, Professor Hentenryk attempted to provide us with some concluding remarks: during the 19th century, most of the bank managers were born in the upper middle classes; the professionalization process of the managers started during the last third of the 19th century prevailing until the late 20th century, with two trends: traditional in-house apprenticeship and recruitment of higher educated professionals; until the first decades of 20th century kinship was a main factor of integration while the diversity of the banking world could be observed after World War I despite the lasting weight of kinship networks.

The German case was the theme presented by Professor Hartmut Berghoff (Georg-August-Universität, Göttingen), who investigated the changing patterns of education and careers in German Banking from the late 19th century to the Federal Republic in the 1970s, adopting the use of the biographical method in the context of banking business history. This paper looks at three central aspects of the social history of German bankers, namely their education, training and career patterns, in order to fathom out the degree of continuity and discontinuity that characterized their historical evolution. Professor Berghoff is mainly interested in the investigation of the prevailing modes of professional qualification and advancement, an area which inevitably should be connected with the general developments in the banking industry as well as the entrepreneurial middle and upper classes. Those patterns were epitomized by the illustration of three different generations of German bankers between 1870 and 1970, who represent three different patterns of biographical patterns; namely Max. M.

Warburg (1867 - 1946), Paul Wallich (1882 - 1938) and Jürgen Ponto (1923 - 1977). According to his view, the three biographical examples are representative of the evolution of recruitment and training patterns of German top bankers between 1870 and 1980 - direct nepotism was followed by more open competition of those who had had the chance of receiving a suitable education while, after 1945, the direct role of the family decreased further and until nowadays a certain type of higher education has formed the dominant pattern.

Professor Leslie Hannah (University of Tokyo) drove the audience through the complex, multi-levelled analysis between production technology, management and the labour process. In this perspective, his paper provided a bird's eye view of the 20th century transformation of banking process in order to demonstrate how innovations in banking practice affect the structures of management training. By reviewing the fundamental changes of the nature of the banking production process, the speaker insists that the nature of training in general, and management training in particular, changed fundamentally in the 1970s and 1980s. The crucial turning point for this transformation is "computerisation" with the arising question addressing the extent to which the industrialisation of retail banking was the main factor influencing both employing and training structures. From this point of view, the most important signal of change could be traced directly to the fact that banking had become high-tech, using computers to assemble and distribute products, a revolution which encouraged the development of a less-branch based, more product-based and more hierarchical management structure. The new processes did not suit the old-style bankers; on the contrary, specialised branch staff were sellers of specific, standardised financial products, a transformation which coincided with a strong need for different training for the managerial grades.

The papers of the third session looked from different approaches, at the problem of the inter-relationships between banking and business history. Professor Mira Wilkins (Florida International University) has borrowed the theme of her presentation from a footnote made in the Cameron and Boykin's book "International Banking" (1991), which combined the distributions that have been made in the separate literatures of business history and banking history. Her paper explored the linkages between business and banking history, admitting at the same time the "disjunctive sets" that cross over business and banking historians. In her attempt to find out similarities and overlap the gaps between the two fields, she outlined that, in analysing the roles of entrepreneurs, managers, organization, personnel, and also owners, "although we are talking about different actors and different functions, it will be hard to say in an ordered fashion that the behaviour is distinct in banks from that of all other businesses". Thus, according to her opinion, the two fields are and should be complementary and, in particular, that the complementation of the two fields could not only enrich one another, but would also add to our general knowledge of the course of economic and business history.

The two following contributions empirically estimated the importance of the human and managerial factor in banking and in business in general. Professor Gabriel Tortella's paper (University of Alcala, Madrid) brought out the paramount importance of the managerial factor in the history of ups and downs of the Banco Central. Indeed, his paper creates a lively description, pointing out all the crucial moments in the evolution of the bank: how the Banco Central of Madrid started out under the best of auspices given the fact that it was run successfully during the early years of its existence; how an external crisis soon upset the Central's head-start position and from that moment on it was on the verge of suspension of payments and had to be saved several times by the Bank of Spain; and

finally how the election of an effective leader in 1940 (Ignacio Villalonga) changed all that and a few years afterwards the Central had regained its past brilliance and solidity. According to Tortella, the decline of the Banco Central was a practicable example of the catastrophic results created by the continuous disagreement and bickering among the board members while an energetic leadership is the only route for recovery.

Dr. Francesca Pino considered organizational as well as managerial factor in a paper that reviewed the evolution of the organizational structure under which Banca Commerciale Italiana operated in different historical times during the first forty years of its foundation. The aim of her paper was to provide us with valuable insights into the organizational transformations in order to highlight the turnaround experience that took place at BCI in the period following the Great Depression. By specifying the kinds of operation effectively performed by BCI, Dr. Pino pointed out that the bank, since its origin, acted as a German style universal bank. However, the turning point in the history of BCI was certainly the year 1933 when a new managing director advocated a policy of organizational reforms in an effort to identify German and American models. According to Dr. Pino, BCI became a commercial bank, a transformation that was accompanied by a "radically new business orientation; the successful application of a decentralized branch organization scheme with centralized controls; the use of both business information and economic analysis as a support for the corporate decision-making process; new strategic management of reduced human resources".

The final session of the Conference was devoted to a theoretical as well as practical approach on historical questions raised of what has to be called "human capital". Professor Jaime Reis' (University of Lisbon) contribution broke new ground in the theme of "human capital" in banking by considering how a new type

of labour, the bureaucratic work force, was assimilated into financial institutions during 19th century Europe. He outlined from the outset that the study of bank workers is an important component of bank history and highlighted an area for further research that will clearly shed a new light to business in general and management practices in particular. Despite the empirical orientation of the matter, Professor Reis provided a stringent interpretation of certain aspects of the phenomenon of internal labour market trying to discover the economic logic that drove their spread in 19th century Europe. The instruments of analysis that were forged from a theoretical point of view find their expression in a case study based on the Bank of Portugal (based on 500 personnel files over a period of three to four generations of workers); Professor Reis illustrated a fascinating from-insight picture of the creation and operation of an "internal labour market" in the particular bank over the period 1846 - 1914. Providing a multi-level approach, he insisted that the overcoming of staff management problems was achieved by designing a "system of generally recognized implicit contractual rules governed the recruitment, training, pay and allocation of labour within the firm."

The last two papers moved from an historical to an archival dimension, tracing on the one hand the nature of personnel records and their specificity and, from the other hand, the vital role of oral records in understanding the contribution of wives and families in the banks international activities.

Mr. Edwin Green's paper took for granted that the history of banks, and especially international banks, implies not only the personal story of staff but also that of their wives and families. This fact raised new methodological issues considering the need to place our subject within the wider perspective of the family milieus of bankers and bank employees. He described the experiences of HSBC staff and families mainly in the period between the 1930s

and the 1990s, pointing out that such a perspective may not change the basic landscape of banking history but it brings much-needed humanistic value, colour and perspective. From a record-keeping point of view, Mr. Green argued that it would be difficult to find out a more rapid and effective way of understanding the story, experience and attitudes of those neglected but vital members of business community. His presentation has therefore become a core reference point for the merits of oral records that would no doubt offer quite different insights into the information of a particularly subjective matter. Thus, in conclusion, it may be asserted that oral records should gain respectability in the eyes of the more traditionally minded archivists and historians, not only as a means of supplementing and complementing existing archive collections but also as an hybrid documentary source which permit us to investigate particular areas of business history which have left no trace in the paper records.

Mr. Roger Nougaret's (Crédit Lyonnais) paper provided an indispensable contribution in the identification, conceptualisation and illustration of primary archival record that contains the requisite material to provide the answers to all the variety of historical questions that have been framed during the conference. The presentation began with a clear and concise description of the typology of personnel archives as well as a reference to the additional records, which were produced by the personnel function. In a second level of analysis, Mr. Nougaret indicated the range of uses to which such records could be put. The coverage here is wide, addressing the main fields in which the personnel files provide information. The paper then went on to clarify the issues of appraisal and collecting, paying close attention to the disposal of what can appear as a real bulk. Taking into account the confidential and sensitive character of the personnel files, his remaining discussion was organized around the matters of access and use. From this point of view, Mr.

Nougaret suggested that the potential external users of these documents go far beyond the traditional academics, an ascertainment which could be related with the considerable broadening in the last decades of the micro-history research field resting precisely on sources like personnel records.

The conference was then closed with an assessment and projection of the transformations that have taken place in banking history in recent decades presented by Professor Feldman (University of California, Berkeley) in which he strongly emphasised that "the sun may not be setting on banking history as we have known it, but the field surely is being transformed".

Anastassios Stergiou

Historical Archives

Alpha Bank

Athens

The Association for the History of Banks and Saving Banks in Central Europe

The purpose of the Association

The Association for the History of Banks and Saving Banks was established in the autumn of 1993 at the University of Bielefeld, Westphalia. The purpose of the Association is to continue research into projects focusing banking history in Central Europe which have been initiated and to coordinate research programmes on this topic. Furthermore, it intends to establish a forum for the discussion and exchange of results and experience for those scholars studying the history of banking systems and financial markets in Central Europe and who, in the past, were obliged to work separately. To stimulate the discussion on the properties of Central European banking systems, the Association encourages the involvement of professional bankers, stock brokers or other persons engaged in the financial systems within its activities. Moreover, close contact is maintained with other institutions for the history of banking or saving banks in Europe.

The common feature and the basis for research on the history of banking in Central Europe is the assumption that a highly differentiated financial system developed in almost all of these countries until the outbreak of the Second World War. In the centre of these systems were situated the large universal banks which had prospered over decades in a great number of countries in Central Europe as a direct result of economic backwardness. Other financial institutions, like the private bankers or the saving banks, completed the financial systems thus offering a distinct set of functions for different social groups which had not become the clientele of the universal banks.

After the collapse of the socialist regimes in some Central European countries in 1989-91 and closely linked with the then emergence process of economic transformation, the "old

and traditional" financial systems were also established. Consequently, one of the targets of the Association for the History of Banks and Saving Banks in Central Europe is to analyse and to research the functioning of the different elements of these financial systems and their effects on the economic development in these countries, both past and present. Results and experiences on the functioning of Central Europeans financial systems, as well as on the chances and risks of the universal banking system in general, should be obtained by a fully fledged comparison of the history of banking in the different Central European countries. Looking at the necessity to establish efficient financial markets in the transformation economies in Central Europe, knowledge of the experiences of the past as a basis for decisions on the banking systems in the present proves useful. Efforts are made to discuss the results of the research on these subjects within workshops organised by the Association and thereafter to publish the outcome in the journal "Geld und Kapital. Jahrbuch der Gesellschaft für mitteleuropäische Banken- und Sparkassengeschichte" edited by the Association.

The organization of the Association

The Association is registered in Bielefeld, Germany and in Vienna, Austria. Responsible for its organisation and work is the executive committee which consists of two chairmen (Doc. Dr. Peter Eigner University of Vienna, and Prof. Dr. Richard Tilly, Westfälische Wilhelms-Universität Münster) and the manager (Dr. Harald Wixforth). The honorary chairman of the Association is Prof. Dr. Alice Teichova (University of Cambridge and Wirtschaftsuniversität Wien). The publishing of the journal "Geld und Kapital" is the task of a special publishing committee.

Membership

Example of members who would gain particular benefit from this membership include: scholars or persons engaged in banking or other segments of the financial markets, companies, economic or social institutions and other juridical persons. Sponsors are welcome and should support the work of the Association. The annual membership fee is Euro 13 for each personal member. Higher annual membership fees for companies, economic or social institutions or juridical persons are determined at the discretion of the Board of Directors.

Publishing activities

The Association publishes a scientific journal "Geld und Kapital, Jahrbuch der Gesellschaft für mitteleuropäische Banken- und Sparkassengeschichte" in the Steiner-Verlag in Stuttgart (formerly in the Böhlau-Verlag in Vienna). Each yearbook deals with a certain substantial problem of banking history in Central Europe which is the topic of the whole volume. By comparing this problem in several Central European countries, the significance of its specifics is brought to the attention of the reader. Moreover, the development of the financial markets in Central Europe and their significance for a distinct historical situation should be analysed in order to investigate chances and risks of bank-orientated financial markets under certain, possibly extreme circumstances. The council of editors consists of Prof. Dr. Teichova, Prof. Dr. Alois Mosser and Prof. Dr. Richard Tilly. Furthermore, each member of the Association is also permitted to edit a volume of "Geld und Kapital". To date, six volumes have been published, the last of which was edited by Alois Mosser and is entitled *Die Versicherungswirtschaft in Mitteleuropa während des Nationalsozialismus*. (Geld und Kapital Vol. 6, Stuttgart 2004). The next volume, already in preparation and edited by Peter Eigner and Ingo Köhler, will deal with the development of private banks in Central Europe and consists of seven articles on this subject.

Meetings and Workshop

The Association has already organised some workshops on the history of banks in Central Europe and questions concerning bank archives. The next workshop will be in Prague in spring 2005 and will take the topic "Changes in the European banking systems after the end of the Second World War".

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**"Public and Corporate Archives
through transformations, privatizations and mergers"
Insurance Archives: Analysis and Outlook**

Bari, 18 June 2004

To open my presentation, I would first of all like to thank Mrs. Massafra, who represents the Puglia region Archives Administration Offices, for the attention given, on this occasion, to the insurance industry, a field that is gradually becoming aware of the importance of acquiring a greater visibility.

As a matter of fact, ANIA has just completed the census of the business archives, the results of which have been presented by Mr. Roberto Baglioni; we hope this will constitute a first step to a greater enhancement of insurance companies' historical and documentary heritage.

Through the most beneficial cooperation with the General Direction of the archives, which granted its aid, this research has surely been a success and may indeed represent the first example of synergy between the private insurance sector and Institutions, following the example of art. 118 of the recent new Code for Cultural Heritage.

* * * * *

I would like to start with a brief description of the Italian insurance market. Taking premium collection as a measure, the Italian market is the fourth largest in Europe, after the United Kingdom, Germany and France. Of the 4600 insurance companies operating in the EU; 260 of these are active in Italy, 211 are associated to ANIA while 60 are represented by foreign companies. The market is characterized by the presence of five large groups that collect premiums to the value of 58% of the whole market; twelve further groups represent 31% of the market and fifty other groups account for the remaining 11%. An important part of the industry is repre-

sented by companies controlled by foreign subjects (mainly French, German and Swiss).

In recent years, this field underwent a deep reorganization process, the need to stand comparison with other operators determined the search for appropriate economies of scale in order to face the growing competition.

Merger and acquisition operations determined the establishment or the strengthening of groups, with the result of a concentration level growth mostly in non life branches. From the beginning of 2003, we registered 15 merger operations, which generated either new companies or involved takeovers by operations which had already been established. At least twenty companies modified, more or less radically, their name (and with it their brand), seeking new space on the market through a more or less marked modernization.

These figures suggest some considerations directly linked to the issues discussed in the conference.

In particular, I refer to two important aspects:

- 1) the first regards the control system attributed to the different Institutions - among which administration offices are certainly included (on the basis of dispositions of the Code of Cultural Heritage) - on alienation operations (merger or take-over) between legal subjects owners or holders, at any title, of cultural assets, archives as well (art. 10, paragraph 3, subparagraph b). In this regard, the companies' organizational choices in destining human resources to their cultural heritage must be considered.

- 2) The second is linked to the market's frequent resort to services given by other subjects, in outsourcing, on important steps of the companies' activities among which figures the management of the present archive and also, where it exists, the preservation of the historical archive.

In relation to the first point, we must underline that merger operations are first of all subject to control by the supervision authority of the field (ISVAP), which must give its authorization beforehand. If the operation one intends to perform - due to its quantitative and qualitative characteristics - may potentially determine the constitution or the strengthening of a dominant position on the reference market, the preventive authorization of the Competition and Market Authority is also required. The Authority must express its opinion within 60 days (if it is the case of quoted subjects, or else within 75 days). If they are subjects listed on the Stock Exchange, Consob must also give its opinion on how the acquisition is to be performed.

We will now deal with the general principles expressed by the new Code on Protection and Preservation of cultural assets and on the following evaluations on the role and the tasks that the Ministry of cultural Assets (and the Administration offices) have in transformation procedures (for merger or alienation) concerning companies owners of cultural assets.

The prohibition to disperse the archives (art. 20, par. 2) has been highlighted in primis; the archives' transfer, for which there has been an ex art. 13 declaration, with which the interest of the asset (artistic, historic, archeological or ethno-anthropological) is confirmed is subordinated to the Ministry's authorization (in the Consolidation Act 490/1999 it is competence of the territory supervisor). Being a lawyer, I would like to underline an aspect that certainly you will have noted and that may be corrected in the rules: the misalignment existing between the declarative proceeding (ex art. 14) granted by

the supervisor and the authorization to the transfer of property that falls within the competence of the Ministry (art. 21). In truth, already articles 59 and 63 state that the Office, having the territorial jurisdiction, will be in charge of the authorization procedure.

As far as I know, there have been few concrete cases of merger and acquisition between insurance companies owning declared archives. At least two of them are sure: Generali - in a case in which both the purchaser and the acquired had declared historical archives (the most important ones in the field) - and the other fusion operation between Sai-Fondiaria.

In this latter case, a very difficult one due to the presence of both companies in the Stock Exchange and to the complex events regarding the companies' features, there has been a strict cooperation with the supervision office in application of the above-mentioned standards. The acquiring company, Sai, does not have a declared archive and this probably played an important role in the evaluation of the supervision office.

The Florentine company's archive has not been transferred to another place and, following the group reorganization, the competence for the documental preservation and valorization will probably fall upon the people responsible in Florence for the documentation of the acquiring Turin company as well. The offices in charge of the external relations, being able to manage the documental historical archive in a communication key as well, will have the task of supervising the archive management, as it often happens due to the organization chart structure.

Problems are still linked to the archive's preservation, valorization and easiness of use: art. 127 of the new Code reproduces substantially the old art. 109 but the problem of the company staff adequacy is not overcome. The archive's management would require not only diversified technical competences (archival, librarian, museum) but also an important human-

istic, technical-scientific and IT training. The relationship between costs and benefits, in the constitution of an essential core which would organize the archive and would take an inventory of what it contains, is still considered by the companies' top management only as a cost source. Except in some cases, a real valorization of the role of those who are in charge of the preservation and protection of the companies' documentation still does not exist. Moreover, except in some rare cases, there still is not a real company policy regarding the destination of funds destined to cultural interventions: they are constituted in order to reach tax concessions on the basis of the 2002 financial act, concessions that have fortunately been confirmed by the new Code, but that should still be strengthened.

At the heart of the matter lies, most probably, a communication problem stemming from within the company; a clear-cut document to your managers could therefore be a viable solution (brief and full of diagrams please!!) where advantages deriving from owning a well structured documental archive within the company are outlined.

The point is that hoping to find sensible interlocutors is not the only way to support these issues: for this kind of activity one must highlight the entrepreneurial spirit, which is perceived in a stronger and more rapid way. Working, as I do, in close proximity to the top management, I assure you that in order to bring attention to a determined objective that is not strictly entrepreneurial, it is fundamental to convince the decision maker that to destine part of the balance to certain targets may represent a sort of investment, sometimes in the long run, but certainly profitable in time. At this point, I would like to emphasize how precious the work performed on the real estate of Generali's historical archive - an archive that is consulted almost everyday by Group companies for the organization of current work - has proved as a demonstration that defending archival assets,

even when there does not seem to be a need, brings advantages in managing current affairs. In this vein, I would like to advocate how effective communication within your activities allows oneself to be as open to the market as you would like the market to be open to you; you must therefore view yourselves as the most qualified teachers in harnessing the true value of the company's historical assets, a campaign in which our managers could also take part!!!

As to the practice of outsourcing some of the company's activities, this is a relevant and delicate issue.

In this case as well, I must briefly refer to the field's discipline. A new Insurance Code (the last one dates 1959) will soon be issued, in which the exclusivity of the object of the company (that is, to make insurance) is underlined, expanding linked or instrumental activities to achieve the main object. Isvap shall supervise subjects performing functions partially included in the operational cycle of the company as far as insurance profiles are concerned. This is a correct definition of outsourcing in our field. The supervision authority is competent for the direct monitoring of activities that are functional to the main activities. The current archive's management therefore is certainly supervised by Isvap, no matter who is in charge of it. Activities that are outsourced concern the management of policies and claims that are important in the contractual relationships with policyholders. For confidential reasons, documents produced by the company's organs (Board of Directors; Auditors' report etc.) are rarely entrusted to external companies. These are the documents that are considered of great interest from a point of view of archives as they represent the company's evolution over time.

But after a period of ten years (a time frame fixed by law for the conservation of policies after their expiration), the situation is that there is still no legal protection for archives (fixed because it is "old documentation" and thus, *juris et de jure*, in 70 years). They may also be

declared as being of great interest, but preservation is still not mandatory. It is in this grey area that integrity is eventually most at risk, and it becomes essential to convey to the top management of the industry the idea that we are working on something that in time will yield further results.

Mr. Palamenghi Crispi told us of the excellent work performed within the bank industry to define a set of rules on preservation, which represents a helpful tool to create the conditions for the realization of an archive; something of the sort is lacking in the insurance industry. Thanks to this tool, the current archive may be easily consulted and is already prepared for the creation of the historical archive and business costs are kept down.

I think that there could be a cooperation between the archives' General Direction and Isvap, maybe with the participation of ANIA as

well, in the wake of the excellent cooperation existing in the bank industry. The advantage would be clear and it could overcome any kind of objection.

I would like to say one last thing: new ways of action must be "invented" in order to find the funds needed for our artistic heritage to survive. The participation of the private sector in any way is now fundamental (sponsoring, technical support, the provision of goods etc.). In this regard, forms of promotion should be found other than just the granting of tax relief, but mostly the offer (on your own part) and the supply (from the entrepreneurial industry) should easily meet, without prejudices, with the availability of each party to understand the needs of the other. If these two worlds do not learn to communicate, the price to pay will be very high and future generations will lose some important sources of learning, which would otherwise help them retrace their cultural roots.

Pietro Negri

Legal Department
Ania - Italian Association of Insurance
Companies

Professional experiences

Present day: member of the Legal Department of ANIA - the Italian Insurers' Association. June 2000 to July 2004
assistant to the General Director of ANIA

- Specific regard to juridical issues; coordination of the corporate framework, Knowledge Manager
- Relations with Public Institutions and consumer protection Associations
- Commercial and corporate law
- National and EU antitrust issues
- Electronic signature and IT documents; long-distance contract stipulation
- Sustainable Finance and Corporate Social Responsibility; ANIA representative at the Italian Minister of Welfare CSR- Forum for Sustainable Finance
- Since 1992, editing coordinator of the review "Diritto ed Economia dell'Assicurazione" (Insurance Law and Economy) (Giuffr  Editore)
- Coordinator of the working group for census of business archives of the Italian insurance companies (2003)

Course of study:

- University degree in Law (1991)
- Enrolled in the Registry of Lawyers
- Training course for electronic research at the Data processing Centre of the Italian Supreme Court of Cassation

Spanish Banknotes 1940 - 2001 Banco de Espana

A new publication entitled "Spanish Banknotes 1940-2001", released last year by the Banco de Espana, is now available to the public. The author, Maria Teresa Tortella, is the Head of the Bank's Archives and Numismatic Cabinet Service and also a member of the EABH's Academic Advisory Council.

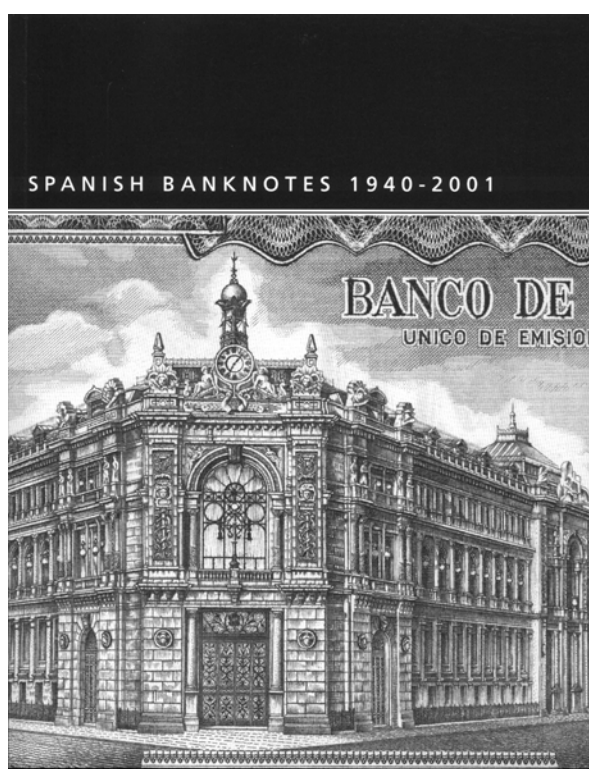
In 1979 the Banco de Espana had already published the third edition of the book "Los Billetes del Banco de Espana (1782-1979)" (Banco de Espana Banknotes (1782-1979)), which included detailed graphic and technical information on all the banknotes issued during this period. This edition, naturally, did not cover the peseta banknotes issued between 1982 and 1992 and has been out of print for some time. The general public and collectors and specialists have therefore been lacking a book covering all the peseta banknotes issued by the Banco de Espana. With euro banknotes now the new legal tender in Spain, the Bank has deemed

it appropriate to bridge this shortcoming by publishing a new, complete and updated catalogue including all peseta banknotes issued.

The book, now available to readers, is thus intended to catalogue all banknotes issued by the Banco de Espana from 1940 up to the introduction of the euro, and forms the second part of the history of peseta-denominated banknotes. Complementing this present volume will be one bringing together the banknotes placed in circulation by the Bank in the preceding period, 1874-1940. Beginning with what is chronologically the second part of this history it resolves the above-mentioned shortcoming, namely the absence of the last two issues of peseta banknotes made in the 1980s and 1990s from the 1979 edition.

The peseta, during its long life of over a century, acted as a means of exchange and of account playing a historic role in the development of Spain. Inevitably, this historic character infuses the contents of this publication which, in compiling the key fiduciary symbols of the past sixty years, goes beyond the mere cataloguing of a collection of banknotes. To highlight and evaluate this facet of the peseta, the catalogue opens with an introductory chapter Teresa Tortella, the head of the Bank's Archives and Numismatic Cabinet Service. She offers an overview of the technical features of banknotes and documents the circumstances in which the Governing Bodies of the Banco de Espana decided to issue pesetas, outlining the historical context and economic events which came into play, in an analysis encompassing more than merely technical aspects of the currency

Further details can be found on the webpage of the Banco de Espana under www.bde.es/servicio/publica/lib_bille.htm



A guide to the sources of Italian insurance business

**Roberto Baglioni, Guida agli archivi e alle fonti storiche delle assicurazioni in Italia
Venezia, Marsilio, 2003, xvii, 220 pp.**

A general survey of the records generated by insurance companies in Italy was promoted in 2001 by the ANIA (Associazione Nazionale Imprese Assicurazione, the Italian Insurance Companies' Association), prompted by its Chairman, dr. Alfonso Desiata. The survey, completed in 2003, is intended to foster research as well as safe preservation.

This hard work was assigned to Roberto Baglioni, a young scholar already experienced in the field.

The survey is based on Italian archival tradition but owes much also to the British model (The British Insurance Business. A guide to its History and Records, by E. Green and H.A.L. Cockerell, 2nd edition London, Sheffield Academic Press, 1994). The work also benefited from the scientific guidance of Professor Luciano Segreto (University of Florence) and the patronage of the Italian Ministry of Cultural Affairs ("Ministero per i beni e le attività culturali").

The insurance business as a whole paved the way in the regulation of other, subsequent joint-stock companies and played an important role in mercantile international communities as well as in local élites networks. But, since almost every insurance company has been keeping a high degree of confidentiality, very little is known about the early formation of insurance entrepreneurs and managers, about territorial and functional organization, and about investment policies (in real estate, not to speak of share participations in non-financial enterprises, with related governance issues and cross-directorship

as obvious phenomena). Also their influence in shaping welfare policies, and the 'risk culture' as well, remains largely unexplored throughout almost two centuries.

The survey began by stimulating the companies to take care of their documentary heritage, raising awareness about its potential value in both internal and external communication; subsequently the ANIA distributed a questionnaire on the status of corporate historical records. The answers have been assessed and completed by means of on-site visits conducted by R. Baglioni. It must be noted that some enterprises have so far denied such access so that the guide remains a work in progress, but it also constitutes a solid starting point.

In the introduction one can find two important tools: a preliminary review of the different types of records produced by insurance companies and a rich bibliography which includes the main reference sources available for the sector.

In addition, a very important discovery has been the ANIA's own archive of which Baglioni publishes a concise, very illuminating description. Another point of interest lies in the demography and genealogy of the main Italian insurance companies; furthermore, the survey drives the attention to some cases of middle and small size businesses, linked to their territories, with limited scope and sound management.

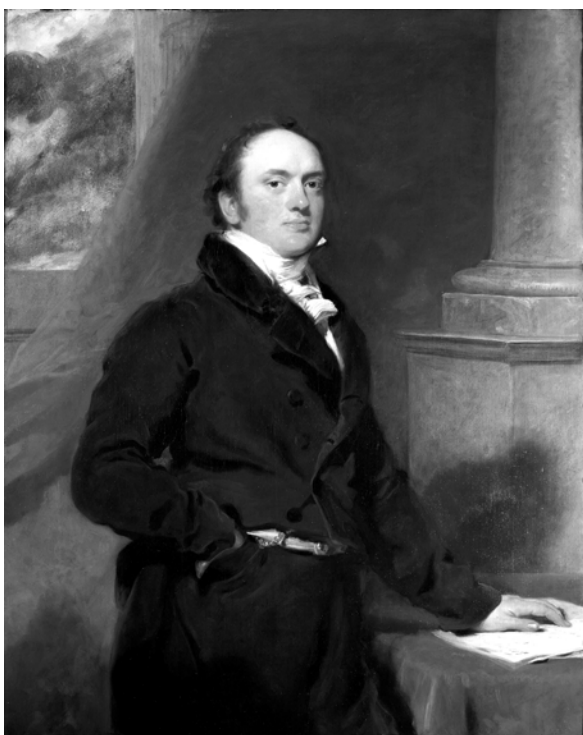
The time is ripe for a European brainstorming on the future of insurance historical archives ...

Francesca Pino

ING Celebrates the Bicentenary of the Financing of the Louisiana Purchase

2004 marks the 200th anniversary of the financial operation which enabled the USA's purchase of the Territory of Louisiana from France. It was the greatest real estate transaction in history, when almost one million square miles of North American territory were purchased by the USA for US\$15 million. At a stroke, the country's size was doubled.

US\$3.75 million of the purchase price was covered by the US government's assumption of certain French government debts to US citizens, but the Purchase was largely funded by the issue of US\$11.25 million US government bonds in the London and Amsterdam capital markets. The issue was handled by predecessor banks of two of Europe's leading financial institutions, ING and Fortis. These were Baring Brothers of London and Hope & Co of Amsterdam respectively. Papers relating to the transaction, including the prospectus itself, can be found in The Baring Archive, which is now part of the historical collections of ING in London.



Alex Baring

At the start of the nineteenth century, international finance was still in its infancy and this issue was one of the largest and most complex transactions that the markets had yet absorbed, as the bankers were fully aware: "We all tremble at the magnitude of the American account", commented Francis Baring, Barings' senior partner, while Henry Hope observed, "It is an operation of the utmost magnitude and importance and might stagger us in ordinary times and in the present would hardly attract the serious attention of any".

Congress agreed to the creation of the bonds in November 1803 and, having advised the Americans thus far, the bankers now worked with the French government in the negotiations for the purchase of the bonds for resale in the markets. The bonds, among the first US securities issued in the international markets, carried interest at 6% and were redeemable between 1819 and 1822.

The ING London archivists drew on the papers in The Baring Archive, and also the bank's historical portraits, to produce a brochure celebrating the financing. In June 2004 ING and Fortis joined together to organise a reception for clients in the historic Federal Hall, New York. Storyboards about the Purchase were produced for the evening, and key archive documents were on display.

The celebration of the bicentenary of the financing of the Louisiana Purchase has enabled the archivists to provide a service to several parts of ING Group. The brochure has been given to clients in both the UK and the USA, and has been used by a range of entities across ING Group. The storyboards will be on display in various ING offices throughout the year.

Moira Lovegrove

ING Bank N.V., London Branch

What do people do with their money? The new Money and Banking Museum in the Netherlands

The Money and Banking Museum of The Netherlands is an initiative of the Money- and Banking Museum Foundation. Established on 14 February 2004, the foundation is a merger of the National Collection of Coins and Medals in Leiden, the Numismatics Department of the Dutch Central Bank in Amsterdam and the Dutch Mint Museum in Utrecht.

The new museum, set to open its doors in Utrecht in 2006, will examine, amongst countless other things, the question: What do people do with their money and what does money do to people? The museum will serve as a new stage for stories about money and people, appealing to a broad range of different target groups, and will provide exciting new stimuli for researchers, experts and collectors in the world of coins and numismatics.

Money is an integral part of life and of our society. Everything we do in life is linked in some way to money, which makes all of us experts on the topic; after all, we all have the necessary experience. These links, concerned with the human aspect of money, will be the primary focus of the Money and Banking Museum, which will recount the stories behind money in a language and style tailored to the museum's different target groups.

The Knowledge Centre

The Knowledge Centre on the first floor of the 'Money Museum' will offer researchers, experts, collectors and other interested parties from various disciplines extremely rich opportunities for in-depth exploration of ancient and modern-day numismatics, based on up-close and virtual access to the museum's outstanding collection. In addition, scientists will offer their knowledge and expertise in the area of numismatics to visitors, not only informally, but also

in the form of special workshops and lectures in the auditorium of the museum. With its world-class numismatics library, the facilities of the Knowledge Centre are a dream-come-true for anyone interested in coins and numismatics.

Coins are stories in themselves, as well as being witnesses to the events of years gone by, such as changing political horizons or the rise and fall of civilisations. Coins are often the best preserved expressions of the art and culture of ancient civilisations. The true shine of a coin lies not on its surface, but in its history, in the story of when it was minted, why it was minted and what value it represented to its original users. This is the focus of the 'Money Museum', the brilliant, innately human stories behind the physical coin.



The Building

The 'Money Museum' will be housed at Leidseweg 90 in Utrecht, in the building that houses the Royal Dutch Mint. This historic landmark was built for the Royal Dutch Mint in 1911 for coin production, a function it retains to this day. Visitors will be given a unique opportunity to view the Royal Dutch Mint's production line from within the new 'Money Museum'.

**The European Association for Banking History e.V.
&
Banco de Portugal
present:
Central Banks Workshop
Historical Collections and Cultural Activities of Central Banks
Lisbon, 15 December 2004**

Following the highly successful Central Banks' Workshop in Lisbon, kindly hosted by Banco de Portugal, the EABH would like to thank the workshop's Academic Committee, Luis Abreu Nunes and Joke Mooij for devising such a broad and stimulating programme and to all the speakers who brought this event into fruition. The papers of this workshop will be available to members only on the EABH website in due course. Please find below the programme for your information.

Registration

Welcoming Address

*Banco de Portugal representative
Willem F. Duisenberg, EABH e.V., Frankfurt am Main*

I Session:

Numismatic Collections and Cultural Activities

Chair: Joke Mooij, De Nederlandsche Bank, Amsterdam

The Museum Collection as a Part of the Communication Policy and the Cultural Activities of the National Bank of Belgium

Marianne Danneel, National Bank of Belgium, Brussels

The Central Bank of Malta's Numismatic Collection and Exhibition

Josephine Zammit, Central Bank of Malta, Valletta

II Session:

Historical Archives and Cultural Activities

Chair: Luís Filipe de Abreu Nunes, Banco de Portugal, Lisbon

The Historical Archives within the Context of Cultural Activities of Bank of Finland

Heikki Hämäläinen, Bank of Finland, Helsinki

The Bank History Archives of the Oesterreichische Nationalbank. A Gateway to History and Tradition

Walter Antonowicz, Oesterreichische Nationalbank, Vienna

Central Banks Collections in a Young Bank

Eiríkur Guðnason, Central Bank of Iceland, Reykjavik

III Session:

Historical Collections as a Cultural Portal of Central Banks - Future Developments

Chair: to be confirmed

The Historical Collections as a Part of the Cultural Activity of a Central Bank

Luís Filipe de Abreu Nunes, Banco de Portugal, Lisbon

The ECB Archives and their Historical Fonds Today and Tomorrow

Matthias Weber, European Central Bank, Frankfurt am Main

Final Discussion and Concluding Remarks

Speaker: to be confirmed

Visit to the Museum of Banco de Portugal

**The European Association for Banking and Financial History e.V.
& Bank Austria Creditanstalt
present:**

**Finance and Modernisation
Vienna, 20 & 21 May 2005**

To celebrate the 150th anniversary of the Creditanstalt's foundation, the 2005 conference's agenda has the broad theme of exploring aspects of the interaction between finance and economic structural change over time.

Friday, 20 May 2005

Welcome Address

Erich Hampel, CEO, Bank Austria Creditanstalt, Vienna
Willem F. Duisenberg, EABH e.V., Frankfurt am Main

"The Bankers' View": Austria's Economic and Political Development and the Role of the Creditanstalt.
Dieter Stiefel, Institute of Economic and Social History, University of Vienna

European Financial Centres

The Efficiency of the Early German Stock Market, 1835 - 1848
Hertmut Kiehling, Ingolstadt School of Management, Catholic University of Eichstaett-Ingolstadt

Vienna in the Habsburg Period
Peter Eigner, University of Vienna

The Balkan Railways, International Capital and Banking from the End of the 19th Century until the Outbreak of the First World War
Peter Hertner, Martin Luther University Halle Wittenberg

Banking and Financial Crises

The Austrian Banking Crisis (1873 - 1931)
Fritz Weber, Vienna University of Economics and Business Administration

Torn between Monetary and Financial Stability - An Analysis of Selected Episodes of Austrian Central Banking History
Aurel Schubert, Oesterreichische Nationalbank, Vienna

Torn between Monetary and Financial Stability - What do the Archives of the Oesterreichische Nationalbank Reveal?
Walter Antonowicz and Bernhard Mussak, Oesterreichische Nationalbank, Vienna

Close

Saturday, 21 May 2005

**Finance and Modernisation in the 19th Century-
Markets and Information**

Modern Communication: The Information Network of N.M. Rothschild & Sons in 19th Century Europe
Rainer Liedtke, Justus-Liebig University Gießen

Venture Capital and the Emergence of Joint-Stock Companies during the Industrial Breakthrough in Sweden
Oskar Broberg, Göteborg University

The 'Banque industrielle de Chine' and the Modernisation of China, 1900 - 1919
Frank King, Professor Emeritus, University of Hong Kong

**Finance and Modernisation in the 20th Century-
Institutions and Cultures**

The Modernisation of the first big Dutch commercial bank: the Twentsche Bank, from 1840 until 1964
Douwe C.J. van der Werf, ABN AMRO, Amsterdam

Modernisation and Greek Banking in the Post-Dictatorship Period. The Rise and Impact of a New Culture
Margarita Dritsas, Hellenic Open University, Patras

Two Centuries of Apex Banking: The State Bank of India and the Evolution of Modern Banking in India
Abhik Ray, State Bank of India

Lunch Address

Ferdinand Lacina, Bank Austria Creditanstalt, Vienna

Concluding Remarks

Alice Teichova, Cambridge University

The Contemporary Situation of Banks
Gerhard Randa, President of the Advisory Board, Bank Austria Creditanstalt, Vienna

End

Archives and Corporate Culture – Part II

18 May 2005

Vienna

The workshop Archives and Corporate Culture held in Athens on 27 May 2004 was a great success. It attracted the highest number of participants in the history of the EABH's workshops and for good reason. Not only was the quality of the papers presented particularly high but also the topic, still new and unexplored, stimulated a great deal of interest and led to a very in-depth discussion. As a matter of fact, following the organization committee's proposal, the positive response of the audience, the research and discussions on corporate culture, and the positive implications within the archives, this theme will be developed next year in a second workshop, to take place in Vienna on 18 May 2005 prior to the EABH's main conference.

On this occasion, we would like to discuss the following topics:

- The value of historical consciousness for business: a general approach
- In what way can business archives provide opportunities to learn from the past?
- History marketing: Where are markets for historical knowledge and historical information?
- Theory versus empirical evidence: History/Archives as testing ground for economic or socio-logical theories. Banking and financial archives as part of interdisciplinary research
- Globalisation and corporate culture
- contradiction between globalised economy and persisting national corporate cultures
- failures/successes of mergers as a result of conflicting/matching corporate cultures
- Corporate culture and politics: Changes in the corporate culture of a business as a result of changes in the political and social framework
- Corporate heritage: Financial institutions as initiators of foundations and as sponsors

Papers on the above mentioned topics will be particularly welcome from archivists, historians, marketing directors, communication managers or branding officers.

General overviews will be as welcome as practical examples.

Your suggestions - consisting of an abstract between 250 and 350 words - should be sent to Marnie Giuranna, EABH, via email (m.giuranna@bankinghistory.de) or faxed (+49 69 9720 3308) until **Monday, 17 January 2005**.

The academic committee responsible for the workshop – consisting of Ingrid Elferink, ING, Charlotte Natmeßnig, Vienna University of Business and Economics and Gabriele Teichmann, Sal. Oppenheim jr. & Cie. – will evaluate your proposals. Time allotted to each presentation is 20 minutes.

Papers should be ready by **Friday, 15 April 2005**.

New Members

In the second half of 2004, the EABH was delighted to welcome five new individual members in addition to a new corporate member, Swiss Re. Swiss Re is the first insurance company to join the EABH, marking the new chapter in the Association's history in which financial history is fully embraced. We very much hope to have the opportunity of meeting all our new members in person, both the familiar faces and those who have not yet been involved in the Association's activities, at the 2005 Vienna Conference.

Corporate Members

Swiss Re

Swiss Re was established in 1863 by three of the most prominent Swiss companies of the period. At the time, the insurance business had been booming for several years in Switzerland, gaining steadily in economic importance and allowing ever greater risks to be underwritten. It was the great fire of Glarus in May 1861 that prompted these companies to found the Swiss Reinsurance Company. The fire devastated two-thirds of the town, proving beyond all doubt that a single catastrophic event could trigger losses far beyond the means of any primary insurer. Swiss Re started selling marine and fire reinsurance in 1864, subsequently expanding both its geographical scope (first branch office in the USA 1910) and its number of business lines. By 1938, it had become one of the leading reinsurers. Today, the company - which celebrated its 140th anniversary in December 2003 - has three business groups (Property & Casualty, Life & Health, Financial Services) and is active in over 30 countries.

Individual Members

Mrs. Mira Barkå

Having served as an archivist at the Swedish Board of Commerce in 1990 and thereafter at the Swedish Parliament (Riksdag) between 1991 and 2002, Mira Barkå became responsible for the archives at the Central Bank of Sweden (Riksbank) in 2002. Born in 1957 in Warsaw, Poland, Mira studied Philosophy at Warsaw University, graduating in 1984. Since 1981, she has lived in Sweden. Mira is especially interested in electronic record management systems and systems for electronic image archives.

Dr. Willi Loepfe

Currently Dr. Loepfe works as a financial consultant and freelance historian. Having graduated from the University of Zurich in 1974 with a dissertation on "Alfred Ilg and the Ethiopian railway", he has since accumulated more than 20 years experience in banking business, of which 11 years were based in Latin America and Spain. From 1997 to 2002, Dr. Loepfe held the position of Group Historian of UBS AG in Zurich. His main interests are banking elites, interactions between governments and banks, and international debt problems.

Ms. Monica Ralling

Monica Ralling is Project Manager at the Money and Banking Museum, located in Utrecht, The Netherlands, which will open its doors in 2006. In particular, she is responsible for products, education, exhibitions and communication. Having studied Leisure Management, Monica first worked in the marketing department of the international lawyers office, Nauta Dutilh, and the finance section of the Institute of International Research before moving into the field of museums. In her current position, Monica is playing a central role in the development of the new museum (see page 57), examining in particular the interactive relationship between people and money.

Ms. Christel Schollaardt

Christel Schollaardt is the Manager of the Collections Department at the new Money and Banking Museum, Utrecht, The Netherlands (see page 57) and, like her colleague Monica Ralling, plays a decisive role in the development of this new venture. Having trained as a librarian, Christel worked in this field for about 10 years, of which the last 7 years were spent as the librarian of the Royal Coin Cabinet at Leiden. She was subsequently promoted to Collections Manager and later to Head of Collections at the Royal Coin Cabinet until the recent merger which led to the formation of the Money and Banking Museum. In her current role, Christel is leading a team of 11 people in creating one collection from three, both physically as well as administratively, work which also concerns the libraries. This team is also working on the realisation of a comprehensive knowledge centre in the field of numismatics and money culture.

Dr. Vincenzo Sozzani

Following his graduation in Law, Dr. Vincenzo Sozzani held various managerial positions within the Pirelli Group from 1949 to 1962, before turning his hand to the banking sector. His first position in this area was as Managing Director at Banca di Credito di Milano. Six years later, in 1968, he was appointed by Banca Commerciale Italiana (BCI) as Manager responsible for the New York branch, a position which he held until 1973 when he became General Manager of Banque Sudameris SA, Paris. Dr Sozzani rejoined the Pirelli Headquarters as General Partner in 1984 and is currently a Member of the Board of Pirelli SpA, Milan and Chairman of the Board of Pirelli Société Générale SA, Basle.

Change of Contact Person

2004 also brought with it the news that five of the EABH's long-standing contacts would retire, each of whom has contributed significantly to the EABH over the years. We would like to offer our heartfelt thanks for their continuous support and wish them all much happiness in their new pursuits. At the same time, we would also like to extend a very warm welcome to their successors, some of whom may already be familiar to you.

Barclay Bank, UK

Mrs. Jessie Campbell will be replaced by Ms. Maria Sienkiewicz

Central Bank of Iceland, Iceland

Mr. Ólafur Pálmason will be replaced by Mr. Jon Sigurdsson and Mr. Eiríkur Gudnason

De Nederlandsche Bank, The Netherlands

Dr. Wim Vanthoor will be replaced Dr. Joke Mooij

N. M. Rothschild & Sons Limited, UK

Mr. Victor Gray will be replaced by Mrs. Melanie Aspey

Nordea, Sweden

Mr. Sam Litzing will be replaced by Mr. Ami Järvinen

Crisis and Renewal in Twentieth Century Banking Proceedings of the 2001 EABH Ljubljana Conference

We would like to congratulate the editors, Edwin Green, Group Archivist at HSBC Holdings plc, UK, John Lampe, Professor of History and Chair of the Department of History at the University of Maryland, USA, and Franjo Štiblar, Professor of Law at the University of Ljubljana, Slovenia, on a wonderful publication which has received a great deal of positive feedback since it was published last /sent to all EABH members in August.

This book explores the history and archives of banking at times of political and social stress and forms part of the long running Studies in Banking History series, published by Ashgate. The papers contained in this publication were first presented at the EABH 2001 Main Conference held in Ljubljana, Slovenia, and hosted by the Bank of Slovenia and Nova Ljubljanska Banka.

For information on how non-members may obtain a copy, please visit www.ashgate.com

The Financial History Review, Volume 11, Part 2

Members of the EABH will have already received their copy of the October 2004 issue of the Financial History Review, which contains a diverse range of articles covering an impressively wide time period from the beginning of the 18th century to the beginning of the 21st century.

Articles

- Ann Carlos and Larry Neal, 'Women Investors in Early Capital Markets, 1720-1725'
- Catherine Schenk, 'Regulatory Reform in an Emerging Stock Market, the Case of Hong Kong 1945-86'
- Edmund Cannon and Ian Tonks, 'UK Annuity Price Series 1957-2002'
- Serge Noiret Annual Bibliography of publications on Financial History, 2002

Book Reviews

- Stanley L. Engerman, Philip Y. Hoffman, Jean-Laurent Rosenthal and Kenneth L. Sokoloff (eds.), *Financial Intermediaries and Economic Development* (reviewer: Forrest Capie)
- Phillippe Marguerat, Laurent Tissot and Yves Froidevaux (eds.), *Banques et entreprises industrielle en Europe de l'ouest, XIXe-XXe siecles: aspects nationaux et régionaux* (reviewer: Pierre-Cyrille Hautcouer)
- Luigi de Rosa (ed.), *International Banking and Financial Systems, Evolution and Stability* (reviewer: Joost Junker)

We hope that you enjoy reading this issue.

Subscriptions for non-members may be sent directly to the publisher:

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The Edinburgh Building, Shaftesbury Road,
Cambridge CB2 2RU
journals_societies@cambridge.org
+44 (0) 1223 326096

Non-EABH Announcements and Forthcoming Events

The 2005 annual conference of the Economic History Society will be hosted by the University of Leicester from **8th - 10th April**. The conference opens, on the afternoon of Friday 8th April, with papers presented by new researchers. Any enquiries should be directed to Maureen Galbraith at ehsocsec@arts.gla.ac.uk while general information can be found at www.ehs.org.uk.

The Annual Meeting of the Economic and Business History Society will be held in high Point, North Carolina, USA between the **27 - 30 April**. For more details please visit <http://highpoint.edu/conferences/ebhsoc> while queries may be addressed to James W. Stitt at jstitt@highpoint.edu

The next Association for Business Historian's (ABH) Conference will be hosted by the Centre for Business History in Glasgow. This will be held on Friday and Saturday, **27th and 28th May 2005** in the Glasgow Marriott Hotel, Glasgow. The theme of the 2005 conference will be 'Business History: Celebrating the Past; and the Future of the Past'. Further details are available at www.gla.ac.uk/centres/businesshistory/Eventsindex.html.

The Global Economic History Network (GEHN) has released a Call for Papers for its forthcoming workshop: *The rise, organization, and institutional framework of factor markets*. The workshop will take place in Utrecht, The Netherlands between **23 - 25 June 2005**. GEHN is an international network of some 42 academics active in the promotion of research, teaching and co-operation in global economic history and is sponsored by the Leverhulme Trust. For more details please contact: Jan Luiten van Zanden, Utrecht University, Department of History, Kromme Nieuwgracht 66, 3512 HL Utrecht, The Netherlands, email: janluiten.vanzanden@let.uu.nl or visit www.lse.ac.uk/collections/economicHistory/GEHN/GEHN.htm

The Historical Center of the former Imperial Ottoman Bank located in Istanbul will host the **Sixth European Historical Economics Society Conference** on **9 - 10 September 2005**. The Conference Program Committee invites proposals for individual papers on any aspect of European or global economic history covering a wide range of periods, countries and regions, although please note that the deadline for submission is 31 January 2005. Submissions from young scholars are particularly encouraged while reduced rates for registration and accommodation are available for doctoral students. For each proposed paper, an abstract not exceeding 500 words together with the institutional affiliation and e-mail address of the authors should be sent by e-mail and in WORD format to Professor Sevkettin Pamuk at pamuk@boun.edu.tr

The 2005 Conference of the Spanish Economic History Association will take place in Galicia (Santiago de Compostela, La Coruna and Vigo) from **13 to 16 September**. Entitled *Between the Mediterranean and the Atlantic: Spain in the making of a European economic region (XVth to XVIIIth centuries)*, the conference focuses on the important role played by Spain in the making of a European economic region. In particular, the sessions aim to look deeper into the growth of the intraeuropean trade, the factors affecting the integration of the European economy, the influence that trade had on the economic changes witnessed across Europe, and the capital and labour movements. Further details can be found at www.aehe.net/

In September, the **Society of Archivists** launched its new website which can be found at www.archives.org.uk. Sporting a fresh new design and powered by a content management system, the new website offers users a chance to add content to the website without any previous technical knowledge. The site now features members' only information and a message board for registered users, alongside comprehensive information regarding the Society itself, its objectives, events, and publications. In order to become active in the website, contact Ms. Alex Green, information coordinator, at infcoord@archives.org.uk.

Prize Competition for Research on History of Banking and Finance 2004 - 2005
"Unveiling the History of Turkish Banking and Finance..."

The research competition is organized by the Ottoman Bank Archives and Research Centre, the European Association for Banking and Financial History (EABH) and the History Foundation of Turkey. Hoping to establish a tradition in this field, it aims to encourage academic research on the period starting from the Ottoman Empire on the Turkish banking, finance and economic history. The competition, the first of which was sponsored by the Ottoman Bank, is now in its third year. The competition will be held in 4 categories with one prize being awarded for each category:

- Scientific Articles
- Master's Theses
- Doctoral Dissertations
- Monographs

All correspondence regarding the competition should be addressed to the secretariat at Ottoman Bank Archives and Research Centre, Voyvoda Caddesi No:35/37 Karakoy 80000 Istanbul Turkey or at archive@ottomanbank.com.

For more information, please

- visit the web site at <http://www.obarsiv.com/english/act-prize-competition-2004-05.html> or
- request a brochure from the Secretariat.

For EABH Members Only

As announced in the last issue of the Bulletin the EABH has a number of backdated copies of publications which it would like to offer free to our members. In addition to those titles listed in the last issue, the following publications are also available:

How to Write the History of a Bank

Rebuilding the Financial System in Central and Eastern Europe, 1918 - 1994

Postage per book - Euro 6-8 (international)

The EABH cannot unfortunately cover the cost of postage. Please note that these books are subject to availability and that the cost of postage is only a guide. Please contact the Frankfurt office at info@bankinghistory.de for more information.

Errata Corrige

The EABH would like to apologise to Banca Intesa for omitting to cite the bank as the source of the front page illustration of the 13th edition of the Bulletin. The picture Pilgrimage to Rome- The employees of Banca Cattolica del Veneto on the occasion of the Anno Santo, 1950 was kindly provided by the Historical Archives of Banca Intesa - Milan for which the EABH is most grateful.

Victor Slavescu and the Romanian Banking System

Born in 1891 in a village in the very heart of Romania, Victor Slavescu worked his way up to become the country's top economist. His father, a professional army officer, was fully concerned with the education of his son who, upon graduation from one of the most famous high schools in Bucharest, started his university studies in Paris. After a short stay in the capital of France, Victor Slavescu moved to Germany where he attended the courses of the Universities in Göttingen and Munich. He completed his university studies in 1914, when he defended his doctoral thesis entitled "The Agrarian Issue in Romania" at the University of Halle.

After returning to Romania in 1915, he first worked as an assistant accountant for Banca Romaneasca, one of the leading private credit institutions at the time. He soon gave up this job as, in August 1916, upon Romania's entering World War

I, he enrolled as a volunteer in the Romanian army. He was injured on the Transylvanian front, allowing him to be discharged from the army, yet he decided instead to return to his fighting unit. During the war he made friends with two other renowned Romanian economists, Virgil Madgearu and Ion Raducanu, and in 1919 they laid the foundation of the magazine titled "Economic Independence", regarded as a reference publication of the inter-war period.

Following World War I, Slavescu resumed his work with Banca Romaneasca and soon was promoted to the company's top position. In 1923, he became the manager of the National Industrial Credit Society, which had been set up by the national liberal government in support of domestic industry (he was a member of the National Liberal Party). Simultaneously, he was assigned the task of reorganising the Public Debt Department within the Finance Ministry and took part in the talks on settling Romania's war debt to the USA.

In 1933, Slavescu was appointed as a sub-secretary of state at the Finance Ministry, before being promoted to finance minister; he remained in office until 1935. In 1934, during his tenure, the first law on the organisation and regulation of banking trade in Romania was passed. Slavescu submitted the bill, of which he was the agent, to Parliament, underscoring "the sharp conflict of interest" in the banking business and emphasising that the law had been drawn up in a tactful manner "in order not to hinder the economic activity of banks and subordinate them to the State". However, the measures taken were quite necessary as "banks are usually made with other people's money and therefore responsibility runs high". Prior to this moment, several attempts had been made to legally regulate banking activity (previously, the banking business had been governed by the regulations of the Commercial Code; yet, the said regulations were rather general and could not always be enforced in such a sensitive field as banking). The law met with suc-



Victor Slavescu

cess, owing particularly to its being passed in the aftermath of the Great Depression of 1929 - 1933, when Romania's banking system was badly hit.

His career as a minister continued in 1939-1940, when he held the position of minister of endowment of the army under six consecutive governments. Those were extremely hard times for Romania in both domestic and international terms. In spite of all the efforts made, the Romanian army was inadequately endowed. Considering the events on the international stage before the outbreak of World War II, the officials in Bucharest had to set up a ministry to deal exclusively with the endowment of the army. Slavescu was the right person to manage this institution, given his two-sided experience: that of a soldier fighting in World War I (he had been advanced in grade to reserve lieutenant colonel) and that of an economist and former finance minister.

Victor Slavescu also left his mark on the National Bank of Romania. In 1936, the general meeting of the NBR shareholders elected him as a board member - a position he could not however accept given his appointment as president of the General Union of Romanian Entrepreneurs. Nevertheless, he was appointed as a board member of the National Bank of Romania during 1945-1946. Upon starting to work for the NBR, he told the then governor, Ion Lapedatu, "it is a great honour for me to be part of this institution, where I would like to bring my career to an end".

Unfortunately, things did not turn out as planned. In June 1950, Victor Slavescu was arrested for "constant activity against the working class" and was imprisoned, without a trial, at Sighet, one of the most dreadful prisons in the communist period, along with most of Romania's inter-war intellectual and political elite. He was released five years later and decided to pull away from the public eye and dedicated the rest of his life to research, which culminated in the history of the Romanian economic thinking. Victor Slavescu passed away in Bucharest on 24 September 1977. His lifetime achievements include, aside from the printed works, 22 other papers (approximately 80 volumes) comprising over 30,000 typed pages.

Since 1925, the financier and politician Victor Slavescu had acted as a brilliant professor in the department of currency, credit and banks within the Academy of High Commercial and Industrial Studies and, as from 1940, he became the head of the department of political and national economy. At the same time, he lectured on economy and finance at the Superior School of War. In 1939, he became a full member of the Romanian Academy, on which occasion he put down in his diary (published by the National Bank of Romania in 1998) that the day he had entered the Academy hall had been the happiest day of his life.

Victor Slavescu was one of Romania's most prolific economists in the inter-war period, his scientific contribution following two main directions: the monograph and the economic analysis. He was a pioneer in research who showed interest in the history of national economy and, from 1937 onwards, he began compiling monographs on the life and work of famous Romanian economists.

His economic work followed three main avenues: the history of national economy and of the Romanian economic thinking, the structural analysis of the Romanian economy and the related issues in the first half of the 20th century - within which the banking sector played the most significant role - and basic economic theory.

Illustrative of Slavescu's work is his vision on the Romanian banking system during the inter-war period. Ever since the end of World War I, he studied the banking policies in Romania and spared no effort trying to share the experience he gained while working for Banca Romaneasca. Emphasising the crucial role of credit in a modern capitalist economy, Victor Slavescu was among the first who called for credit institutions to be established on solid and sound foundations, being particularly concerned about small- and medium-sized commercial banks. The Articles of Association of Banca Romaneasca supported the very idea of banks getting involved in the development of trade, industry, enterprises, as well as in the multiplication of Romanian capital by means of credit. In 1916, Victor Slavescu published the paper titled "A Victory of Romanian Capital - Five

struggling years of Banca Romaneasca" in which he made an evaluation of the activity meant to achieve the projected goals.

Ever since that time, he engaged in heated debates on the role played by domestic financiers in dealing with Romania's crucial problems. In 1922, Slavesco published his paper "Romania's Credit Organisation" whereby he provided clear definitions of the programme and operational methods envisaged for Romania's post-war reconstruction. Three years later, Victor Slavesco drew up an impressive monograph of the National Bank of Romania, "The History of the National Bank of Romania (1880-1924)". This paper marks the step Slavesco took towards the completion of the Romanian banking system history, thus covering an area larger than the one of commercial banks, where he had gained recognition. On this occasion, Slavesco portrayed the main founder of the issuing bank, Eugeniu Carada (see EABH Bulletin No. 2/2003), whose far-reaching and daring ideas he admired above all.

In his paper "Bank Treaty, Vol. II Bank Doctrine. Issuing Banks" (1931) Slavesco started from the idea that banking circles brought under the same umbrella people with vested interests and that the general banking interest should be protected from the potential influence of such groups. When referring to the operation of an issuing bank, Victor Slavesco specified that "the independence of the central issuing bank in respect of public wealth constitutes a pre-requisite of utmost importance and whenever it was overlooked there were awfully painful experiences accompanied by the direst after-effects". In Slavesco's opinion, state interference was associated with control and supervision of the issuing process as regards technical procedures and transparency of operations. However, he warned that the risk of state intervention might bring about pressure fuelled by short-lived political interests which might have a negative impact on Romania's financial standing.

Victor Slavesco concluded that a private issuing bank does not run the risk of bureaucracy and is safe from damage in the event of warfare according to the norms of private international law; how-

ever, this principle is not applicable in the case of the Romanian treasury that had been sent to Moscow during World War I. As a result, a private issuing bank could accomplish its tasks more efficiently than a state-owned bank.

Professor Slavesco's concerns also lay with regulating banking activities. In the study titled "The Need to Regulate Banking Activity in Romania" (1927), Victor Slavesco pointed out the lack of a coherent and unitary legal framework that should govern banking activity. He advocated the idea of making the distinction between trade in general and banking, and called for the introduction of appropriate, specific legislation (regarded as a "social function") to support lending. In light of the above, his ideas were put into practice according to the Law on banking trade, which came into effect in 1934.

Slavesco criticised the segmentation of the inter-war Romanian banking system that consisted of too many small banks unevenly spread across the country. At that time, the banking system was plagued by under-capitalisation, high deposit rates, and loose requirements for the establishment of banks. The suggestions made by Slavesco in order to revitalise this sector were in line with the requisites of that time and addressed the opportunity to set up banks as anonymous joint-stock companies and the critical need for transparency of operations and business.

In his opinion, fair competition in Romania was of utmost importance for having in place a sound banking system. Therefore, a regulation on reserves had to be enforced, laying down their high liquidity and security, as well as the establishment of a banking supervision institution related to the National Bank of Romania: "a regulatory framework for the banking activity should mean neither stifling earnest initiative nor slowing down banks' operation, but merely setting general norms aimed at providing the framework for fair and sound banking trade in the very interest of the national economy".

Describing banks as the "genuine hub of the economic system", Professor Slavesco embarked on examining the banking companies' development during the Great Depression. In his paper

"Romania's Banking Policy and the Great Depression" (1932), Victor Slavesco pinpointed the seriousness of the state of affairs particularly amid the post-war depreciation of the domestic currency, reiterating the idea of the Romanian banking system segmentation and the far larger number of small banks than that of large banks. Slavesco referred to that period as being characterised by the universal wish for "getting rich quickly and easily".

When dealing with the "danger of lending abuse" following the currency reform in 1929, Slavesco referred to banks as seismographs providing accurate images of changes across the economy. He underlined the fact that the increase in interest rates in the years prior to the depression associated with the debtors' payment default entailed higher interest arrears and restraints on banks' activities because of non-liquid investments. In his eyes, behind the banking crisis during the Great Depression stood the impatient and panic-stricken creditors whose poor banking culture led him to state that "the greatest enemies of depositors with banks are depositors themselves".

Victor Slavesco preferred to go beyond the limits of the high officer status by steadily trying to draw up theoretical bases in order to put them into practice, and promote new ideas regarding the role that banking institutions must play in the national economy.

The analysis of history and the development of credit institutions allowed Victor Slavesco to explore the economic theory and economic fundamentals, the following papers being worth mentioning: "Banking Technique" (1929), "Bank Treaty" (two volumes; 1930) and "Lecture on Currency, Credit and Exchange" (1932). These studies are still relevant for the current state of affairs, thereby proving the in-depth analysis, and the experience the author acquired. As for the role of banks in the economic life of a country, Professor Slavesco wrote: "the different objectives envisaged by a bank must be in line with the various needs of the economic activity. For good reason, the bank was compared with the heart of a body, which is at the same time the receiver and the sender of all that body's lifeblood".

In the opinion of some contemporary experts, his lecture on currency, credit and exchange compares with those of the renowned inter-war French financiers, Baudin and Nogaro. There is not a shadow of a doubt that Victor Slavesco was well informed regarding the European currency circulation and the developments in currency systems. Slavesco wrote that "a currency is as necessary to perform the exchange of goods and services as language is for communication". The scientific content and the didactic form of this manual render the picture of Victor Slavesco as a thorough scholar and teacher in every sense of the word.

Victor Slavesco's figure and work can hardly be summarised. He was an active participant in the inter-war construction of Romania, the most important period in the country's history in both economic and cultural terms. He witnessed the rise of the communist regime and the political, social and economic disaster that followed. That is why, in our opinion, the words Gheorghe Tatarescu, the Romanian prime minister, uttered in 1935 when Slavesco resigned from his position as a finance minister, stating that he could not share different views as a teacher and as a finance minister, are illustrative of Slavesco's complex personality: "overly professional, overly correct".

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