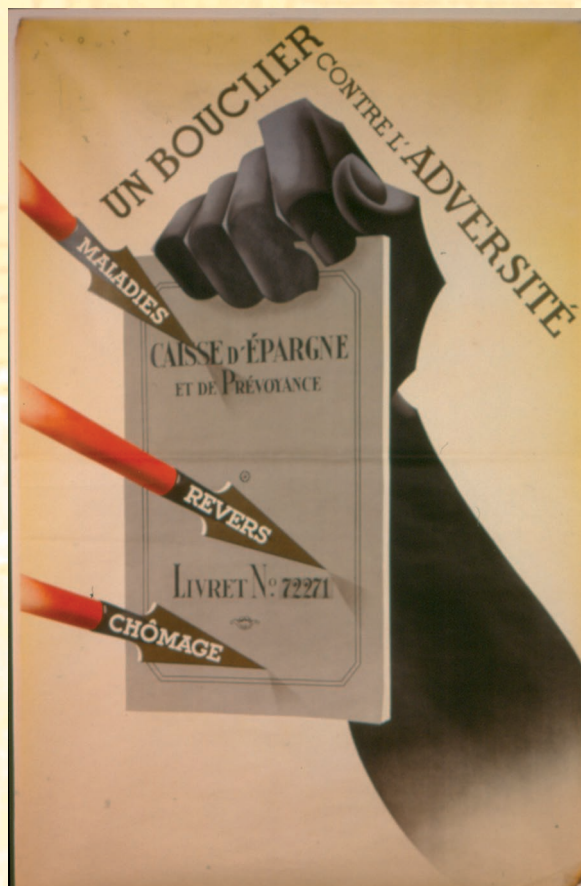


bulletin



Newsletter from the EABH

1/2009



European Association for
Banking and Financial
History e.V.



Dear Colleagues,

With the collapse of the Cologne Historical Archive on 3 March 2009 historical valuable material, records pertaining to this institution and, tragically, human lives were lost. In a certain way, the demolition of the physical premises of this institution demonstrates how easily years of tradition can be lost when its true value is not understood. This remains a reality which all archivists are working hard on to prevent. The safeguarding of significant and valuable archival material has become even more important now that the financial world is facing one of its biggest crises ever. In this challenging and demanding period of market turbulence, the financial world certainly faces many alarming issues but the need for future documentation, so that historians will be able to research and understand these events in the future, remains undeniable.

In the light of the ongoing global financial crisis our members' commitment to the Association serves a key role to achieve its goals which are to promote the preservation of historically valuable archive material and to initiate and foster research into banking and financial history. In the 23rd issue of the bi-annual EABH Bulletin Newsletter the Association offers a warm welcome to our newest member, the Bank of Albania.

The EABH e. V. in cooperation with Bank of Cyprus is also looking forward to welcoming you at this year's significant conference The Critical Function of History in Banking and Finance 15 & 16 May 2009 - Bank of Cyprus, Nicosia, Cyprus that explores the mutual relationships between banking and finance and their histories, covering issues such as democratization, nationalism, decolonization and more recently regionalization and europeanization and how banking and financial institutions and systems have shaped or been shaped by them.

The EABH e.V. is looking forward to another year of fruitful cooperation with you.

Manfred Pohl
Deputy Chairman

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Published by the European Association for Banking and Financial History e.V.

Editor: Damir Jelic

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Front page illustration: Savings book - a shield against adversity - 1930's

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Credit Businesses in Early Modern Hannover A Basis for The First Savings Bank in Town

First Foundations of Savings Banks: Interpretation in Literature

The late eighteenth century was the beginning of a period in which numerous savings banks were founded in Germany. In literature this is mainly interpreted as a measure demanded by philanthropists with the aim to allow the middle- and working-class to get loans with low interest rates.¹ Other reasons which have been given² have not been much considered. However, the savings banks were not only used for the purpose proposed by the philanthropists: a considerable number of savings deposits belonged to people whom, according to the statutes, were not allowed to get loans from savings banks.³ Moreover, with regard to the financial situation of the middle- and working-class the predominant thesis suggests that before the foundation of the early savings banks financial transactions and credit businesses were a privilege of the economic elite.⁴ FISCHER even assumes that the foundation of savings banks resulted from the lack of credit institutions for the working-class.⁵ Generally, the period examined in current historical research on the history of savings banks mainly starts with the early ideas for the establishment of savings banks or with the date of foundation of a certain institution, though there already existed a credit system for members of the middle- and working-class. In my opinion, it should be start several centuries before, because this credit system served as a basis for the foundation of savings banks in the late 18th Century, as will be shown below.

Credit Instruments in Early Modern Times

People in early modern times used different credit instruments. The credit purchase loans are frequently bequeathed: many people used the so called "Rentenkauf" and the "Obligation" (see figure 1), when putting an outstanding sum on



paper. With these credit instruments, the debtor not only committed to repay a special amount to his creditor: the document specifies amount and valuta of the outstanding sum, the interest rate (foremost 5 percent) and the date of repayment as well. Furthermore, it often states securities (e.g. mortgage, guarantors) the debtor offered. These credit instruments gave members of all classes the opportunity to receive loans – provided they were credit-worthy.⁶ This means whom the community trusted⁷ and who could offer securities⁸. Obviously, these loans were not offered by banks or savings banks: banks were only allowed to give loans to merchants and savings banks had not existed yet.

In Germany the examination of these credit businesses have been neglected so far as research mainly focuses on the credit system of merchants. Only a very few historians refer to the fact that certain institutions (e.g. the community treasures of the Brandenburg Mark⁹, the Regensburg poor box¹⁰) had already fulfilled the role of savings banks before the latter were founded. But they only mention this in a very casual way without pointing out the extreme importance of the early modern credit system for the first foundations of savings banks.

Credit Businesses in Early Modern Hanover¹¹
Hanover, now the capital of the federal state of Lower Saxony (Niedersachsen) in north-western Germany, was in early modern times a country town of the Dukes of Brunswick-Lüneburg (Braunschweig-Lüneburg). Even as the town got more and more national importance it was a town of mean size, where mostly traders and craftsmen lived.

For Hanover, cases of indebtedness in private persons as well as institutions can be detected for the whole period under examination (1550 to 1750). Thus, in my opinion, private indebtedness was a usual social phenomenon in early modern Germany. Giving credits¹², buying goods on credit¹³, as well as the inability to discharge obligatory payments to the authority¹⁴ and to private persons¹⁵ or to discharge borrowed things¹⁶ were common procedures in the early modern period. Furthermore, people had the possibility to go to the pawnshop.¹⁷

Indebtedness was caused by different reasons: the purchase as well as renovations or extensions of houses, flats and land¹⁸ are the most frequent ones (23.41 percent)¹⁹. The second largest category is food (20.63 percent), foremost grain and malt.²⁰ It can be pointed out that private persons got into debt by buying those sorts of food and drinks which were among those most commonly consumed. Apart from that, a considerable percentage of cases of indebtedness resulted from obligatory payments to the authorities (9.98 percent).²¹ Thus, accommodation, food and obligatory payments were the most frequent reasons for indebtedness. Other causes were comparatively rare.

Members of the nobility and the middle- and working-class also had a share in these transactions.²² These people were traders and merchants²³, manual workers and craftsmen²⁴ and persons working in the administration for the authorities²⁵. Other persons who got into debt were clergymen²⁶, persons working in the army as well as persons of higher ranks²⁷ and professions related to churches²⁸. The analysis of the professions of the creditors confirms that a large number of persons among this group worked in the field of administration for the town as well as for other authorities.²⁹

Not only men but also women are shown to have had a share in these transactions: the sources name married³⁰ and widowed³¹ debtors as well as single³², married³³ and widowed³⁴ creditors. Generally, it can be stated, however, that men

(85.22 percent as debtor, 88.06 percent as creditor)³⁵ were active in these transactions more often than women. In my opinion this is not amazing in view of the role they played in early modern times.

Not only private persons but also institutions were the debtor³⁶ or creditor³⁷ in these cases. Most private persons and institutions were both creditor and debtor at the same time. A connection between them did not only exist on the basis of their financial relations: persons involved were family members and relatives,³⁸ friends,³⁹ tenant and landlord,⁴⁰ neighbours,⁴¹ purchaser and seller,⁴² employee and employer,⁴³ authorities and inhabitants of the town,⁴⁴ royal authorities and subject⁴⁵ as well as the church and its creditors.⁴⁶

This system of personal loans was not restricted to the town of Hanover⁴⁷: Various relations be-

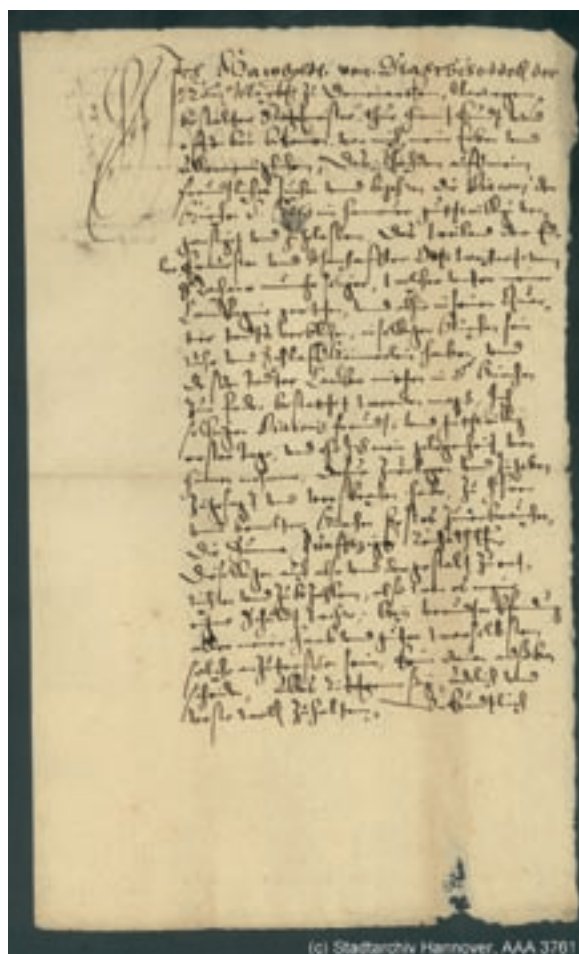


Figure 1. Obligation of Haubold von Starschädel, 1626, (detail), StdtA H AAA 3761, Bl. 43.

tween private persons in Hanover and other towns or villages of Northern Germany can be detected.⁴⁸ I assume that like in England⁴⁹ these financial transactions took place in a complex network of indebtedness which existed throughout Northern Germany.

In many cases conflicts resulting from such financial businesses led to legal proceedings between creditor and debtor⁵⁰, creditor and guarantor⁵¹ or between the heirs of the persons who had been involved⁵². This also happened when the opponents were relatives. In most cases debtors⁵³ or their heirs⁵⁴ were not able to repay the debts or died before they had repaid the money⁵⁵. For the inability to repay debts people often stated personal reasons⁵⁶, the bad financial situation in general⁵⁷ as well as the general reference to hard times⁵⁸ and war⁵⁹. Moreover, private persons involved in court proceedings quoted legal regulations⁶⁰ or reproached the opponents for procedural mistakes⁶¹.

Disputes resulting from cases of indebtedness were also carried out outside court proceedings – sometimes with serious consequences: in 1611, a widow who felt that the debt claims against her were unjustified not only swore at the messenger but also set the dogs onto him, which bit his leg.⁶² These conflicts and court proceedings in my opinion resulted from a missing central administration and that very often financial agreements were not put down on paper. However, cases in which the creditor and debtor reached an amicable settlement can also be found in the primary sources.⁶³

As a result, it can be stated that indebtedness of private persons was caused by requirements which concerned all areas of every-day life. For the debtor it was an opportunity to survive financially and continue tasks and businesses in times of crisis. For the creditor, however, lending money either meant waiting for the repayment of the loan, which in many cases only happened after lengthy court proceedings,⁶⁴ or it served as a savings deposit, which earned interest and provided for the creditor's old age⁶⁵. In my opin-

ion, this system of personal loans had already fulfilled significant functions which were taken over by savings banks later on. It was an inevitable element of early modern society.

Reaction of the Authority

Generally, indebtedness was not necessarily regarded as negative – it was even actively supported by the authorities if impoverishment could not be prevented by other means. In order to standardise the business with private loans and prevent conflicts, numerous regulations were enacted by the sovereign of the town or region, the Imperial Diet (Reichstag) and the Provincial Diet (Landtag). These regulations contained rules and restrictions concerning the financial business as such (e.g. interest rates, repayment)⁶⁶ and the administration and authoritarian measures (e.g. regulations for court proceedings).⁶⁷ Moreover they also specified rules for indebtedness in times of crisis (e.g. crop failures, war)⁶⁸ as well as rights and responsibilities of certain groups and institutions (e.g. Jews, students)⁶⁹. Apart from that, a number of regulations were connected to the law of contract (e.g. family law, market law)⁷⁰. Regulations enacted in the eighteenth century specified rights and responsibilities of institutions which borrowed money (e.g. pawnshops, knights credit company)⁷¹.

On the one hand, the aim of these regulations was to maintain the ability to pay of the persons involved⁷² and prevent conflicts⁷³. On the other hand, however, the regulations were used by the authorities to push through political interests.⁷⁴ The great number of regulations and the fact that certain aspects have been published several times verifies the importance of the private loan system in early modern times. Although these regulations are of importance for research, they should not be overvalued in my opinion: the analysis of the Hanoverian primary sources has shown that the regulations were mainly understood as guidelines which should be ideally met and therefore they often did not match with reality. Nevertheless, in early modern

Hanover, the content of specific regulations was known among the inhabitants of the town and in some cases cited as arguments in disputes about money.⁷⁵

Foundation of the Savings Bank in Hanover (1823)

Throughout the entire early modern times there was no Savings Bank in Hanover. Thus in the case that Hanoverians needed or wanted to make financial transactions, they had to ask private persons or institutions for money. This was still the case in the beginning of the nineteenth century as well. As recently as 1823 (June 2) the mayor of the town of Hanover, Georg Ernst Friedrich Hoppenstedt, founded a savings bank named „Spar- und Leihcasse in der Königlichen Residenzstadt Hannover“. This bank not only allowed people to save money but also gave credits to them.⁷⁶ In the following decades further foundations of savings banks in the Princedom of Calenberg (Fürstentum Calenberg) followed.⁷⁷

The Savings Bank of the town of Hanover was an institution of charity and hence a part of the poor relief. It was open for two days a week each day for two hours. In spite of these short opening-hours it was well accepted and much frequented: already in 1830 – only seven years after its foundation – over 4,000 savings bank books with a total amount of 146,694 thaler had been circulated. Therefore almost one out of four Hanoverians had a deposit at the Savings Bank – with an upward trend: in 1839 almost 6,000 people had a deposit (total amount: 197,000 thaler).⁷⁸ Hence, the Hanoverian had responded very favourably to the Savings Bank and made frequent use of it.

The Meaning of the Early Modern Financial Transactions for the First Savings Bank in Hanover

The fact that the Hanoverian Savings Bank had been accepted very fast is not unexpected: in early modern Hanover – like in other towns

– financial transactions were common procedures even though savings banks did not exist yet. Hence a system of personal loans did exist already in this time whereby not only members of the upper-class but also of the middle- and working-class had the opportunity to get loans. This possibility was vital for many people: in early modern society, in which human rights⁷⁹ and social security systems⁸⁰, health insurance or insurance against the inability to work did not exist and individuals were not entitled to social welfare such as unemployment benefit and income support, the basis of one's livelihood was continuously threatened. Despite the existing poor welfare,⁸¹ the majority of the early modern population lived in a continuous financial insecurity as, for example, natural disasters, political decisions (e.g. wars and tax increase) and the increase in population often led to worse living conditions and greater poverty.⁸² Hence, the existing system of personal loans was a social phenomenon which for many people in the early modern period offered the only opportunity to survive periods of financial crisis. It was important and necessary for the preservation of the early modern socio-economic system and therefore it was nothing new or unusual: financial transactions were part of every-day life for women as well as men.

This fact is of great importance for the foundation of savings banks, even though literature does not mention this so far. Current historical research interprets the foundations of savings banks as a completely new development which offered new opportunities for the population. The examination of the early modern system of financial transactions, however, has shown that this thesis is not valid: in my opinion the foundations of first savings banks did not generally mark a watershed in the development of private financial businesses in so far as they were not the starting point for new opportunities for people, because the structures were already there. These structures have most probably contributed to the fact that the savings banks as new institutions were

quickly accepted. If the majority of the population had never had the opportunity before to borrow money and invest capital in credit businesses on the basis of certain regulations, the acceptance of the new institutions would probably have taken longer.

Therefore, the thesis proves that before the existence of savings banks other institutions had already carried out the functions of savings banks as e.g. WUNDER⁸³ and GÖMMEL⁸⁴ have emphasised. However, in my opinion, this thesis is also only valid with certain limits: not that institutions of the system of personal loans had carried out those functions of savings banks in times when the latter had not existed yet, but vice versa: savings banks took over important functions which before had been carried out by private persons and various institutions. Therefore, savings banks continued an economic aspect of the early modern economic system on a new level.

The early modern system of personal loans had therefore shaped an attitude in society which contributed to the acceptance of borrowing, lending and saving money as these transactions were not unusual but had been practised already before. The early modern system of financial transactions can hence be regarded as the structural basis for the foundations of savings banks – not only in the town of Hanover.

... but for all that, the Foundation of Savings Banks was of great importance!

With regard to the administrative procedures, however, the foundations of savings banks were of great importance, because financial transactions were now carried out and regulated by a central institution: as presented above, the organisation of these transactions was difficult as many persons were involved in the network of indebtedness and the administration of such procedures was carried out by different institutions, if at all. In contrast to that, the newly-established savings banks served as a central institution that offered different services for private persons.

This included, for example, the opportunity to open savings deposits⁸⁵ but also to get credits for important expenditures such as the dowry of the daughter, the paying out of the second farmer's son, or the enlargement of workshops and houses.⁸⁶ Thus, conflicts caused by private financial businesses as described earlier could be prevented because the new system was more transparent for the persons involved than the early modern network of financial transactions.

Summary

To sum up, it can be stated that the foundations of savings banks in the late eighteenth century can only in so far be interpreted as a novelty if considered in the context that savings banks served as the first central institutions for credit transactions of private persons. Savings banks continued to be an economic aspect of the early modern economic system on a new level – a level, which can be valued as progress with regard to the administrative procedure and the new possibility to borrow and lend money in safe and constant conditions. Nevertheless, the new system never completely replaced the purely private personal loan system, despite its new transparency and improved administrative procedures.

Beate Sturm

List of Abbreviations:

Best. Inventory (Bestand)

Bl. Sheet (Blatt)

Korr. d. Rates Correspondence of the Town Council (Korrespondenz des Rates)

StdtA H Archives of the Town of Hanover (Stadtarchiv Hannover)

StdtA Hild. Archives of the Town of Hildesheim (Stadtarchiv Hildesheim)

¹ e.g. STEIN BOCK VERLAG HANNOVER. Im Dienst einer Idee. Ein dokumentarisches Bildwerk über Werden und Wirken der Sparkassen, Hannover 1963, p. 44; Günther DIETEL, 125 Jahre vor Ort. Sparkasse Scheessel 1876-2001, Rotenburg (Wümme) 2001, p. 15; Adolf TRENDE, Geschichte der Deutschen Sparkassen bis zum Anfang des 20. Jahrhunderts, Stuttgart 1993, pp. 1-10. (= Sparkassen in der Geschichte, Abteilung 2: Reprint, n° 3), p. 21.

² e.g. the increase of the money supply for the improvement of the industrial production, trade and the circulation of money (Klaus MLYNEK, 175 Jahre Verantwortung in Region und Gesellschaft. Die Stadt Hannover und ihre Sparkasse 1823-1998, Hannover 1998, p. 11) or the growth of industrial production under the shelter of the mercantilist state administration and the suppression of the bourgeoisie. Rochard DOMES, Sparkassenwandlungen. Grundzüge einer Wirtschaftsgeschichte der deutschen und österreichischen Sparkassen, Stuttgart 1999, pp. 24-26.

³ STEIN BOCK VERLAG HANNOVER. Im Dienst einer Idee. Ein dokumentarisches Bildwerk über Werden und Wirken der Sparkassen, Hannover 1963, p. 48.

⁴ Günther DIETEL, 125 Jahre vor Ort. Sparkasse Scheessel 1876-2001, Rotenburg (Wümme) 2001, p. 15.

⁵ Wolfram FISCHER, Gemeinsamkeiten in der sozioökonomischen Struktur der europäischen Länder als Voraussetzung der Sparkassenidee, in: Manfred PIX / Hans POHL (ed.). Invention - Innovation - Diffusion. Die Entwicklung des Spar- und Sparkassengedankens in Europa. Zweites europäisches Kolloquium für Sparkassengeschichte am 28./29. Mai 1990 in München, Stuttgart 1992, pp. 33-43. (= Vierteljahresschrift für Sozial- und Wirtschaftsgeschichte, Beihefte, n° 103), pp. 40-41.)

⁶ Wieland HELD, Geldwirtschaftliche und marktwirtschaftliche Aspekte der Stadt-Land-Beziehungen in Thüringen im 16. Jahrhundert, in: Jahrbuch für Wirtschaftsgeschichte, n° 3, 1983, pp. 107-122, p. 111.

⁷ Craig MULDREW, Zur Anthropologie des Kapitalismus. Kredit, Vertrauen, Tausch und die Geschichte des Marktes in England 1500-1750, in: Historische Anthropologie. Kultur, Gesellschaft, Alltag, n° 6, 1998, pp. 167-199, p. 178.

⁸ Heide WUNDER, Finance in the 'Economy of Old Europe': The example of Peasant Credit from the Late Middle Ages to the Thirty Years War, in: Barbara HOFFMANN / Heide WUNDER (ed.), Der andere Blick auf die Frühe Neuzeit. Forschungen 1974-1995, Königstein / Taunus, 1999, pp. 77-103, p. 78.

⁹ Heide WUNDER, Finance in the 'Economy of Old Europe': The example of Peasant Credit from the Late Middle Ages to the Thirty Years War, in: Barbara HOFFMANN / Heide WUNDER (ed.), Der andere Blick auf die Frühe Neuzeit. Forschungen 1974-1995, Königstein / Taunus, Helmer, 1999, pp. 77-103, p. 92.

¹⁰ Rainer GÖMMEL, Merkantilistische und kommunale Sozialpolitik (vom 17. Jahrhundert bis zur Bismarckzeit), in: Hans POHL (ed.), Staatliche, städtische, betriebliche und kirchliche Sozialpolitik vom Mittelalter bis zur Gegenwart, Stuttgart 1991, pp. 89-109. (=Vierteljahresschrift für Sozial- und Wirtschaftsgeschichte, Beiheft n° 95), p. 95.

¹¹ In my PhD thesis with the title 'wat ich schuldich war'. Privatkredit im frühneuzeitlichen Hannover (1550-1750) ('what I owed'. Private Credit in Early Modern Hanover (1550-1750)) I analyzed primary sources like court records, books, obligations, documents about bankruptcy proceedings and compulsory auctions, correspondences of private persons, records of the treasury and of private persons, receipts, announcements and debt registers. The examina-

tion of the early modern system of personal loans is based on nearly 4.400 cases with special emphasis on the town of Hanover which have been analysed with a databank especially created for this purpose.

¹² e.g. StdtA H A 1951; StdtA H A 1962; StdtA H A 1948.

¹³ e.g. StdtA H A 2024, Bl. 3v; StdtA H A 3701, Bl. 3.

¹⁴ e.g. StdtA H A 1464, Bl. 60-60v; StdtA H A 1465, Bl. 81.

¹⁵ e.g. StdtA H A 924, Bl. 1; StdtA H A 3769, Bl. 1v.

¹⁶ e.g. StdtA H A 1460, Bl. 191; StdtA H A 1668, Bl. 1v; StdtA H A 4623, Bl. 18.

¹⁷ e.g. StdtA H A 4391 Bl. 5-8v; StdtA H A 2984, Bl. 22; StdtA H A 4391, Bl. 2v.

¹⁸ e.g. StdtA H A 1542, Bl. 1; StdtA H A 2041, Bl. 1.

¹⁹ 100 % = 611 Cases, Hanover 1550-1750, own survey.

²⁰ e.g. StdtA H A 1462, Bl. 26-27; StdtA H A 1465, Bl. 83.

²¹ e.g. StdtA H A 2103, Bl. 1; StdtA H A 2224, Bl. 7-8; StdtA H A 2609, Bl. 235-236v.

²² e.g. StdtA H A 1184, Bl. 1; StdtA H A 1948, Bl. 1.

²³ e.g. StdtA H A 1106, Bl. 2; StdtA H A 1958, Bl. 2.

²⁴ e.g. StdtA H A 1542, Bl. 3-4; StdtA H A 1461, Bl. 132; StdtA H A 1464, Bl. 39-39v.

²⁵ e.g. StdtA H A 1461, Bl. 127; StdtA H A 1467, Bl. 11-12v; StdtA H A 1551, Bl. 4v.

²⁶ e.g. StdtA H A 2221, Bl. 20; StdtA H A 2743, Bl. 2-6.

²⁷ e.g. StdtA H A 2614, Bl. 103; StdtA H A 2722, Bl. 1.

²⁸ e.g. StdtA H A 1470, Bl. 2-3; StdtA H A 2221, Bl. 20.

²⁹ e.g. StdtA H A 1615, Bl. 262-263v; StdtA H A 1953, Bl. 3; StdtA H A 1968, Bl. 1.

³⁰ e.g. StdtA H A 1461, Bl. 33; StdtA H A 1464, Bl. 10-11; StdtA H A 1465, Bl. 6, Bl. 15.

³¹ e.g. StdtA H A 1461, Bl. 94, Bl. 136; StdtA H A 1465, Bl. 48; StdtA H A 2026, Bl. 2.

³² e.g. StdtA H A 4011, Bl. 11; StdtA H A 4629, Bl. 18.

³³ e.g. StdtA H A 1461, Bl. 9-9v; StdtA H A 1947, B. 1-1v; StdtA H A 1954, Bl. 1-2v.

³⁴ e.g. StdtA H A 1460, Bl. 115, Bl. 124; StdtA H A 1468, Bl. 9; StdtA H B 8045, Bl. 221.

³⁵ 100 % = 3891 Cases (Debtor), 3433 Cases (Creditor), Hanover 1550-1750, own survey.

³⁶ e.g. StdtA H A 1500, Bl. 3-3v; StdtA H A 1601, Bl. 2; StdtA H A 2611, Bl. 1; StdtA H A 2746, Bl. 45-46v.

³⁷ e.g. StdtA H A 2052, Bl. 2; StdtA H A 3769, Bl. 3, Bl. 1; StdtA H A 3890, Bl. 1.

³⁸ e.g. StdtA H A 1464, Bl. 41; StdtA H A 1966, Bl. 2; StdtA H A 2026, Bl. 2.

³⁹ StdtA H A 1979, Bl. 1.

⁴⁰ e.g. StdtA H A 1462, Bl. 14-14v; StdtA H A 1964, Bl. 2; StdtA H A 1465, Bl. 46, Bl. 79v.

⁴¹ e.g. StdtA H A 1465, Bl. 79v, Bl. 113-113v; StdtA H A 1954, Bl. 1v.

⁴² e.g. StdtA H A 1465, Bl. 15; StdtA H A 1603, Bl. 2; StdtA H A 1948, Bl. 1.

⁴³ e.g. StdtA H A 1461, Bl. 49; StdtA H A 1465, Bl. 115-116v; StdtA H A 1470, Bl. 28-29v

⁴⁴ e.g. StdtA H A 1464, Bl. 47-48; StdtA H A 1601, Bl. 2; StdtA H A 1959, Bl. 2.

⁴⁵ e.g. StdtA H A 2103, Bl. 1; StdtA H AAA 1725/9, Bl. 1-15v.

⁴⁶ e.g. StdtA H A 3722, Bl. 1; StdtA H A 3735, Bl. 1-1v; StdtA H A 3765, Bl. 1-2.

⁴⁷ e.g. StdtA H A 1465, Bl. 18, Bl. 20, Bl. 21; StdtA H A 1961, Bl. 2-2v.

⁴⁸ e.g. Hamburg (StdtA H A 1539, Bl. 1), Hildesheim (e.g. StdtA H A 1461, Bl. 100), Minden (e.g. StdtA H A 1601, Bl. 1), Göttingen (StdtA H B 8060, Bl. 17), Bremen (e.g. StdtA H A 2610, Bl. 73v), Braunschweig (e.g. StdtA H A 1603, Bl. 2).

- ⁴⁹ MULDREW, Craig, Zur Anthropologie des Kapitalismus. Kredit, Vertrauen, Tausch und die Geschichte des Marktes in England 1500-1750, *Historische Anthropologie. Kultur, Gesellschaft, Alltag*, n° 6, 1998, pp. 167-199, p. 182-184.
- ⁵⁰ e.g. StdtA H A 1465, Bl. 21-22v; StdtA H A 1467, Bl. 2; StdtA H A 1470, Bl. 88.
- ⁵¹ e.g. StdtA H A 1461, Bl. 26; StdtA H A 1464, Bl. 32-33v; StdtA H A 1468, Bl. 3v.
- ⁵² e.g. StdtA H A 1465, Bl. 64; StdtA H A 1660, Bl. 10-11v; StdtA H A 1673, Bl. 7, Bl. 24.
- ⁵³ e.g. StdtA H A 1651, Bl. 1-3v; StdtA H A 2614, Bl. 103.
- ⁵⁴ e.g. StdtA H A 1465, Bl. 1-4v; StdtA H A 2250, Bl. 4-6; StdtA H A 4631, Bl. 30.
- ⁵⁵ e.g. StdtA H A 1969, Bl. 1; StdtA H A 2044, Bl. 2; StdtA H A 2722, Bl. 1.
- ⁵⁶ e.g. StdtA H A 2751, Bl. 9v; StdtA H A 3722, Bl. 1-1v; StdtA H A 3757, Bl. 5v.
- ⁵⁷ e.g. StdtA H A 1466, Bl. 40; StdtA H A 2751, Bl. 9v.
- ⁵⁸ e.g. StdtA H A 4631, Bl. 30; StdtA H A 4075, Bl. 24-25; StdtA H A 4077, Bl. 19v.
- ⁵⁹ e.g. StdtA H A 1582, Bl. 1; StdtA H A 2224, Bl. 12, Bl. 15.
- ⁶⁰ e.g. StdtA H A 1540, Bl. 4; StdtA H A 1628, Bl. 4; StdtA H A 4631, Bl. 38-38v.
- ⁶¹ e.g. StdtA H A 1603, Bl. 2; StdtA H A 1628, Bl. 2; StdtA H A 4616, Bl. 19v.
- ⁶² StdtA H A 4616, Bl. 19-12v.
- ⁶³ e.g. StdtA H A 1461, Bl. 125; StdtA H A 1465, Bl. 86-86v; StdtA H A 1470, Bl. 2-3v.
- ⁶⁴ e.g. StdtA H A 1551, Bl. 4; StdtA H A 1461, Bl. 30-30v; StdtA H A 1660, StdtA H A 1464, Bl. 36-37v; StdtA H A 1465, Bl. 1-4v; Bl. 10-11v.
- ⁶⁵ StdtA H A 1683, Bl. 1-26.
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Personal Details

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Money, Savings and Political Crises in 20th Century France

Money, savings and political crises in 20th-century France is a thesis devoted to the study of savings and savers of French savings banks (Caisses d'épargne) confronted with a highly specific type of crisis. Indeed wars, industrial unrest, and international crises all had an influence on the movement of funds ranging from a reluctance to make deposits to the most uncontrolled forms of bank runs. Accordingly, we then focused our attention more specifically on the relationship between savings and political crises, and set out to understand this mechanism that created the most serious difficulties for the Caisses d'Épargne, leading to massive withdrawals and seriously jeopardizing the accounts of the French savings banks. In this way, the results of our research correspond to the conclusions reached by historians of the 19th century: Y. Marec, who examined the situation in Rouen¹, C. Christen-Lecuyer² who studied France during the war of 1870, or B. Oger³ in his research on the French National Saving Bank (Caisse Nationale d'Épargne)⁴ during the Belle époque, all of whom demonstrated that political crises could have serious repercussions on the Caisses d'épargne. The principal aim of this thesis is to show that it is the freezing of accounts, or the possibility of seeing their accounts frozen due to crises that trigger a reaction on the part of savers. We are going to demonstrate that savers, when faced with this type of crisis, attempt to transform their savings into what they consider the safest form of money, i.e. paper money. We want to show that a bank run within the framework of a political crisis is a perfectly rational and coherent way to respond to the crisis. The transformation of bank money into paper money represents the transfer of financial resources from one form of money into another form, considered more secure.

To explain this hypothesis, we first studied the reaction of Caisses d'épargne savers facing po-



litical crises. Secondly we focused in particular on the flows of liquid savings with the succession of political crises during the past century. We chiefly used the French savings banks and the issue of paper money as our research field in order to appraise the scope of the crisis.

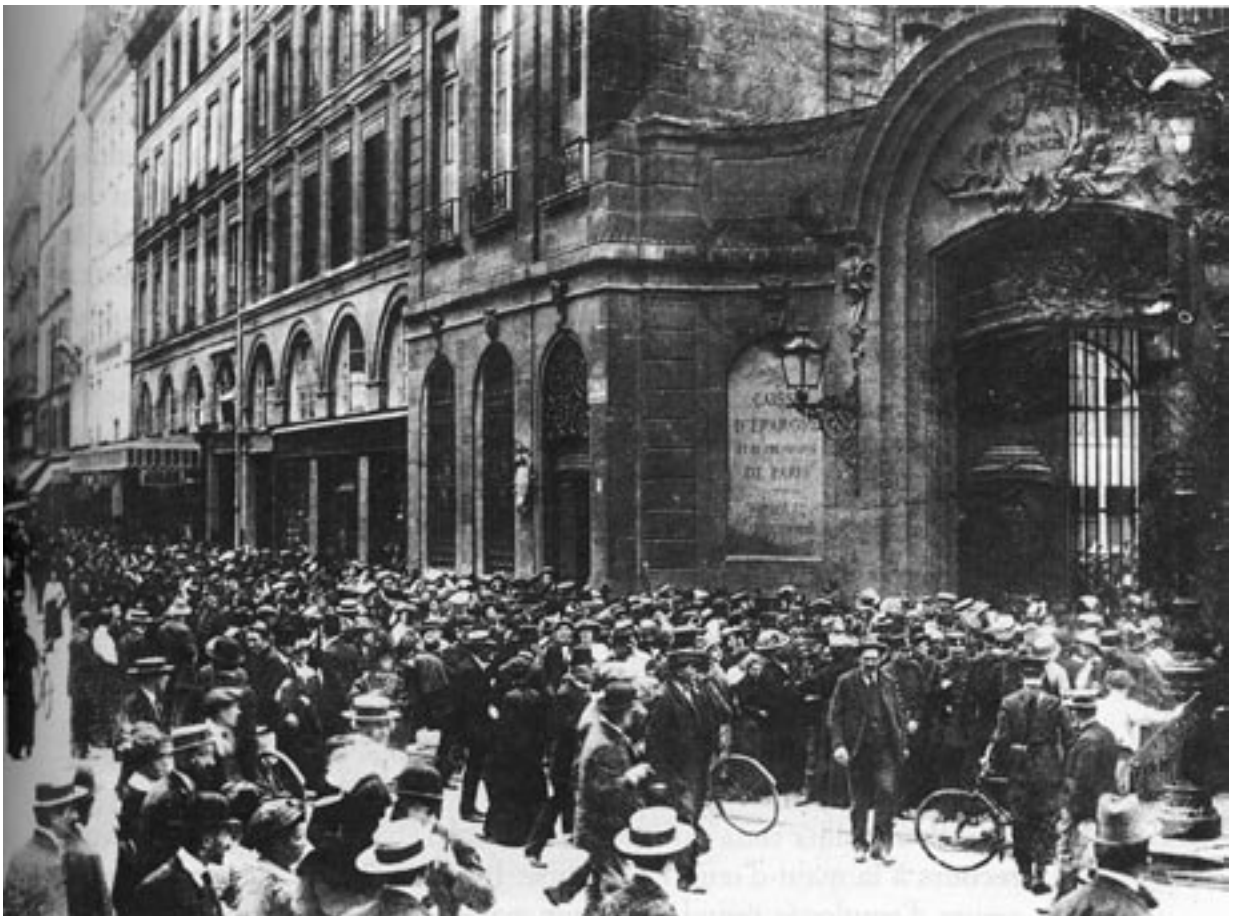
The savers' reactions when faced with political crises.

First, we begin by explaining why the Caisses d'épargne represent the most interesting research field for the analysis of savings during political crises. The Caisses d'Épargne and the hoarding of banknotes are the two most popular forms of savings practiced by the French until relatively recently in the 20th century. The "Caisse d'épargne Livret" passbook savings account was invented and popularized in the 19th Century; it was the only way for the majority of the population to build up a nest egg. The public appreciated the passbook savings accounts because they were easy to use and the funds remained readily available; this solution enjoyed growing success and was used and valued by the entire French population throughout the country. Although the Caisses d'épargne were created to develop savings among the least affluent social groups, they were also highly appreciated by the middle classes to the effect that one half of Caisses d'épargne deposits belonged to higher social categories though these only represented – depending on the period in question – between 10 and 15 percent of all depositors. This fact had major consequences on savings during political crises. Because this 10 percent of users could demand the immediate withdrawal of one

half of aggregate deposits, the French savings banks were liable to be placed in an extremely difficult situation. Above and beyond the Caisse d'épargne, this will also have had an impact on the Banque de France, unable to provide all the cash requested, and an impact on Caisse des Dépôts et Consignations responsible for investing Caisse d'épargne securities, which found it extremely difficult to discount its securities. From this point of view, the Caisse d'épargne found itself in a situation that was complicated to manage. It was accused of being a threat to the entire financial system and was ordered on many occasions to take the steps necessary to restrict the presence of this type of depositor. The problem was that neither the adversaries nor the supporters of the French savings banks could find an acceptable solution to this problem. This is because no objective criteria could determine whether funds deposited on a passbook savings account are savings funds or working capital waiting for an investment paying higher

levels of interest. What objective criteria could be adduced to refuse opening a passbook savings account in a person's name? What is more, the French savings banks have always denied the danger represented by deposits placed by affluent individuals, putting forward the fact that 75 to 80 percent of depositors were individuals from modest backgrounds. One solution would have been to limit the amounts depositors could withdraw from passbook savings accounts containing large sums of money. But any steps taken to restrict the freedom to withdraw funds from these accounts would have driven away all categories of customers. Experiments were made with different measures throughout the century but without great success. As a result, the only real solution was to avoid crises and to try to face up to them when crises did occur.

Secondly, we seek to define the crisis while simultaneously attempting to understand how savings fit into the unfolding of a political crisis. For this, we studied the climatic moment of the sav-



Caisse d'épargne Paris - 1914

ings crisis as expressed by the run on the bank. Indeed, the crisis is a moment when the saver must adopt a strategy to diversify his savings in order to minimize his risk. Savers are faced with one of two alternatives: do nothing and wait for the crisis to blow over before proceeding with new deposits, or withdraw all or part of their savings in order to shelter themselves from the crisis. The first possibility is characteristic of a crisis of confidence or a crisis of low intensity: savers refrain from depositing additional money on their accounts but they do not withdraw any money from them. In contrast, however, when savers consider the crisis to be serious, they tend to withdraw funds in a proportion corresponding to their fears for the future. And when a large number of savers adopt the same action, we witness a run on the bank.

A “run on the bank” or a “bank run” is a serious economic crisis, frequently referred to but rarely analyzed in history. A run on a bank is, as its name suggests, a desperate attempt on the part of customers to withdraw their money from their bank or financial institution. Michel Aglietta and André Orléans define a run on the bank as: “A wave of panic that takes grip of depositors who are disoriented following a loss of equilibrium.”⁵

In other terms, it translates a loss of confidence in the bank money system following a banking or political crisis and depositors’ desire to transform their funds into another monetary form that they consider to be more secure. Bank runs chiefly occur at a time banking crises when a banking institution faces bankruptcy as a result of bad investments or during a financial crisis; customers then run to their bank to recover as much of their capital as possible in any exchangeable form. If a run on the bank, triggered by the financial collapse of a banking institution, is easy for an analyst to understand because the customers’ reaction seems reasonable, the bank run appears to be an irrational reaction within the context of a political crisis where the economic system is not in jeopardy. Accordingly, a certain number of historians – notably those studying

the *Caisses d’épargne* – have wondered whether this type of bank run was not the expression of a deeper pathological condition. We believe, on the contrary, that a bank run is the expression of an attitude or choice that is both rational and carefully thought out. We present the hypothesis of the desire to create a crisis cash reserve in the form of bank notes. As soon as the existence of this cash reserve is accepted, the run on the bank is merely the physical action of creating a part of this reserve. In other words, the bank run is merely the continuation by other means of savings previously held in the form of bank money. We consequently refute the idea too frequently accepted notably by the *Caisses d’épargne* to associate “bank run” with consumption. The savings withdrawn from the bank are not consumed; the money is held in reserve and, for the greater part, will be converted back into bank money form once the crisis has blown over. We also show that the bank run is not simply an economic event but also includes a major social dimension to the extent the run on the bank generates its own momentum as the incentive to withdraw deposits increases as more customers remove their savings from the bank.

Chronological approach to the crises.

Our chronological study begins with the First World War. We feel that it is essential to analyze this conflict because it formed a matrix for



Caisse d’épargne Paris- May 1968

crisis reactions during the entire 20th century. The outbreak of war, which triggered a run on all banking institutions including the Caisse d'épargne, the sheer size of the withdrawals and the apparent loss of investors' confidence, led the authorities to take measures that would have major repercussions throughout the rest of the century. To ward off these bank runs, the government decreed a moratorium on bank accounts and the safeguard clause⁶. This made it possible to protect the financial system but at the price of a heavy sacrifice for depositors who saw their funds frozen in the savings banks at a difficult time for a large number of French citizens. The extended use, during this conflict, of the "safeguard clause" made depositors feel that they were caught in a "mousetrap." This feeling had major repercussions during the interwar period when a large number of bank runs were triggered exclusively by customers' desire not to find themselves in the same situation as in 1914.

The interwar years were the beginning of an unsettled period for savings, a period that would

grow increasingly turbulent in the 1930s. Indeed, the economic crisis that swept through France starting in 1933 does not seem to have affected the Caisse d'épargne. In view of the social impact of the crisis – such as unemployment or difficulties in the agricultural sector, which were tangible problems during these years (the number of unemployed would double between 1931 and 1935) – it would be legitimate to think that, in order to offset these economic difficulties, depositors would withdraw money from their savings accounts. Nothing of the sort occurred. We note that the economic crisis of the 1930s had no impact on savings flows. This was not the case, however, in the case of political crises. If we examine all the crises experienced by the savings banks, from the insurrectional demonstrations staged in February 1934, Front Populaire's strikes in response to the Munich agreements, we see a succession of almost ten political problems, resulting in a wave of unprecedented withdrawals. The height of the savings crisis was reached with the Munich crisis of September 1938. The Munich crisis is the big-



Caisse d'épargne - september 1938

gest crisis of the century for those saving. It was characterized by the violence of its bank runs and by the difficulties encountered by depositors to obtain paper money. Customers were frightened by the possibility of war and withdrew their savings from the banks en masse and, above all, from the Caisses d'épargne. The customers of the Caisses d'épargne were the first to withdraw their money. The violence of these bank runs, concentrated in time between 22nd and 30th September, put considerable strains on the French financial system as a whole and, most of all, on the Banque de France, which was obliged both to supply cash to the other banking institutions and to discount the sale of large quantities of bank securities. It was an extremely difficult exercise; during the crisis, the Banque de France had to put almost 3 billion francs into circulation every day⁷. With the Munich crisis, the State realized that Europe was heading towards war and sped up preparations for a possible conflict. All the measures enabled France to enter the war in a calm and ordered manner in September 1939; the French had been prepared for this possibil-

ity the previous year and the banks –Banque de France in particular – had carefully prepared for this moment. Savings and the availability of paper money were consequently in tune with the rest of the country and the other sectors of industry, namely ready and resigned to the inevitable.

If France entered the Second World War in a calm and ordered manner, the debacle and occupation forced depositors to develop an entirely new, specific response to the problem.

First of all, the Caisse d'épargne had to face the military defeat and the exodus in May and June 1940, which raised two major difficulties: to restore their funds to depositors who came to retrieve their money in order to escape the advance of the enemy, and to organize their own escape and, in particular, the evacuation of all their accounting records. The problem was not specific to the Caisse d'épargne; all banking institutions – and the Banque de France in particular – found themselves in similar situations. The occupation was a very particular, if not paradoxical, period of crisis. We are faced with



Caisse d'épargne Paris - Second World War

a period of expectation when depositors sought refuge in the security of maximum liquidity. Accordingly, people chose to hoard money and to deposit their money in the *Caisses d'épargne*. Indeed, the French savings banks enjoyed real growth during the war – paralleled by the hoarding of large denomination banknotes – while term deposits suffered a worrying disaffection on the part of savers. Depositors were waiting for the political situation to be clarified in France. Hoarding money at home or depositing it in a savings bank did not seem the most advantageous solution. Yet a great majority of the French adopted this behaviour despite the risk of suffering an erosion in the real value of their savings. This attitude can be explained both by fear for the future and by the fact that inflation was an economic phenomenon little understood by the French at that time. The liberation did not herald an immediate return to prosperity; it was first necessary to return to an economic situation at least equivalent to what it had been before the war. A large number of measures were taken to achieve this. This was the case, in particular, of the exchange of banknotes in June 1945, which led to an increase in deposits for the *Caisses d'épargne*. Savers preferred to deposit their banknotes on their passbook savings accounts rather than merely exchanging them. We then witnessed a “reverse bank run”: people rushing to the savings bank not to withdraw their money but to deposit it into their accounts.

Our last study is the *Caisses d'épargne* during the 30-year boom period following the end of the Second World War. France modernized its industry and the savings banks came to appreciate the need to diversify their activities. Was this prosperous period for France capable of modifying depositors' behaviour during political crises? We note that the structural changes carried out during this 30-year boom period were unable to prevent knee-jerk reactions to crises. Thus, the series of strikes that punctuated this period and, particularly, the industrial action that marked the end of 1947, French involvement in Suez and

the demise of the 4th Republic in May 1958, or the crisis in May-June 1968, were no different from the point of view of depositor behaviour from the different crises we examined in the interwar years. The reflex of building up protective stores of cash in the form of banknotes had lost none of its intensity in the French population. It is interesting to note that withdrawals are proportional to the potential threat posed by the crisis; this tends to demonstrate, once again, the rational considerations motivating the behaviour and the constancy of depositors throughout the century.

It was 1969 and the resignation of General de Gaulle that marked the end of savings crises provoked by political crises. No other political event would upset popular savings in the 20th century. Neither the death of President Pompidou in 1974 or, in 1981, the transfer of political power with the election of François Mitterrand (feared by many because of his determination to bring communists into the government) triggered any fear-motivated reaction on the part of depositors. Should we then conclude that the end of the 20th century coincides with the definitive end to this type of crisis? We cannot be sure, and certain factors make us think that knee-jerk reactions to a crisis have not yet disappeared. For example, the stampede to buy groceries in January 1990 on the eve of the Gulf War corresponds exactly to the typology of bank runs that we noted throughout the century. The switchover to the euro in January and February 2002 offers disturbing similarities to the various introductions of new currency that punctuate the period of our research. Without really being able to decide this question, we can offer the hypothesis that political stability and the trust felt by the French in the political system and institutions of the 5th Republic have made it possible to stabilize deposits but that the system is never completely insulated against a crisis.

We are able to say that the different political crises have had a direct impact on the *Caisses d'Epargne*. This impact found expression either

in a reluctance to make new deposits or in the determination of the part of depositors to withdraw their savings. Up until now, the work of economic historians focused on economic crises, leaving political crises to one side because they were deemed to be passing phenomena of no real importance. The originality of our approach, however, resides in our attempt to place these short-term events in the perspective of a longer period of time. Thanks to this change in scale, we can see that, throughout the century, Caisse d'épargne depositors reacted to each political crisis by taking protective measures observed throughout France from the beginning to the end of our period of study. Examining savings from

the point of view of political crises is the same as scrutinizing the reaction of savers to a given event, not as an exogenous phenomenon but as a structured, and consistent, *modus operandi* having repercussions both on the French savings banks as well as on the entire monetary system. And in our opinion, runs on a bank are not phenomena relegated to history or to developing countries. We can imagine that the loss of confidence among some depositors can trigger a chain reaction throughout the entire population of savers. Confidence in the political system is the best guarantee for the long-term stability of savings.

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Endnotes

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⁴ There are two kind of savings bank in France: "Les Caisses d'épargne" or as some call it "Caisses d'épargne ordinaire" (Ordinary Savings Banks) or *Caisses de l'écureuil* (The squirrel's savings banks so called because the logo is a squirrel) created in 1818 in Paris and established all over France during the first half XIX century. These are private savings banks. The second kind "La Caisse Nationale d'Epargne" created in 1881 has been linked to the Post Office and is the national state savings bank. Our main study is based on *Caisses d'épargne ordinaire*.

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⁷ The equivalent of €1.2 billion euros in 2008.

For more information on saving during the Munich crisis cf our article : « L'épargne dans l'appréhension d'un conflit : de la crise de Munich à la guerre », in *Les cahiers pour l'histoire de l'épargne*, n° 6, juin 2002, pp. 95-116.

Convergence Mechanisms of the French Banking Groups and their Impact on the Bulgarian Money Market at the Turn of the 20th Century



Capital movements, more intensive up to the First World War, lead to establishing relations between nations. Those relations are generally based on investments in the first place, within the context of industrial and trading projects, and on finance in the second place: limited liability credit companies were founded, securities were invested, such as government bonds, annuities, mortgage, etc., thus creating interdependence between nations, through contracts and legislation. The extension of international relations is not only a project, but also a true challenge for the countries' economic evolution and industrialisation. Their development rests more assured when the governments use all means of intervention: from a geopolitical point of view (including the expansion of a railway and communication network) as well as from the country's financial market. That last factor includes the evolution of bank and finance structures, which means a knowledge-based banking organisation. On those grounds, the groups can then minimize the risks they take, assess their positions, and strengthen their collaborations. It eventually comes to the question of interest capitalization on both sides (the borrower's and the lender's).

In that sense, the French banking groups take up a significant place in Bulgarian history, because of their structure and influence on the social organization. They integrate into the market and favour its development through different know-hows. Studying investment banks thus implies to consider the financial groups' role and impact, first in the formation of the Bulgarian nation, and then in its institutional reorganizations. Why did Bulgaria attract French bankers? What techniques and strategies did they use to develop their policies? What was the French intervention in Bulgaria? The groups got involved through French policy, answering Bulgarian economic

and financials needs. What were their pretexts and mobiles?

Considering banks and governments, French-Bulgarian relations are generally long-term ones, based on the interaction model "borrower-country creditor-country". In Bulgaria, foreign capital exerts its influence in three ways: it influences public finance by negotiating government loans, it influences important economic sectors (agriculture, mining, forestry, sugar industry, textile industry, infrastructure building by Banque de l'Union Parisienne, Société générale, Banque de Paris & des Pays-Bas, Comptoir National d'Escompte de Paris), and it influences banking by founding credit institutions and insurance companies (by Société Générale, Banque de Paris & des Pays-Bas, etc.). Within the historical framework, a transition towards self-sufficiency and reinforcing Bulgarian finances is the main objective for the governments that negotiate the 1892, 1896, 1902, 1904, 1907, 1912-1913 and 1928 loans, which French banking groups are involved in. They carry on their activities in Bulgaria with a pioneer participation in bank consortiums – German, then Austrian-French, and then properly French from the beginning of the 20th Century.

Banque de Paris & des Pays-Bas is the main participant. Soon after its foundation, it takes part in controlling the issuing of loans in the Balkans, relying on a fund concentration network, on security distribution organization, and on strategic gatherings with other detail banks – Société générale, Crédit lyonnais, etc. The organization created by French banks, based on an underwriting syndicate, which manages stock

exchange investments, becomes an archetype of union and intervention. Its essential goal is to gather funds in order to finance infrastructures and government borrowings. The banking groups drain mutual funds and accumulate deposits from public structures and private individuals, and they invest those large savings, which reinforces their positions (depending on the volume of mutual funds, their mobiles and returns) in expanding trading and banking business¹. The specific running of French banks notably lies in their system of capital draining through a branch network providing activity. Crédit Lyonnais, Société générale and Comptoir national d'escompte de Paris expand quickly by taking part in almost all government borrowings in various countries². The French market specificity lies in the bank strategic policies: their expansion is rather quick, thanks to their branch networks, which contributes to increase their potential to invest more intensively in public securities by public subscription or to list those at the Paris stock exchange³.

The French banks follow an open policy, thus handling better the insolvency risks. The borrower's insolvency depends on the contract negotiability: in our case, on the loan contract options leading to various stock exchange operations (*en prise ferme*, *à l'option*). The loaner's insurance is similar to collateral security contracts. In Bulgaria, the security system for loans started in 1902 with a guarantee for tobacco monopoly, and in 1904-1907 with customs resources, stamp monopoly, etc. The granting technique conditions concerning the creditor banks sets very high interest rates, very low issuing costs and very low transferring costs for securities, high commissions, short-term redemption, and very often enjoyment rights. All that leads to a lower real transferring cost and a higher issuing effective interest rate, which introduces a negative idea of debt.

Thus led by the efficiency of financial operations, the banks (Banque de Paris & des Pays-Bas, Société générale, Crédit lyonnais, Banque de

l'union parisienne etc.) try to minimize risks in their investments and secure their activity so as to increase their profitability. The profits depend on their power, the characteristics of the financial tools determined during the negotiations, and the steadiness of their expansion on the local market. The important nature and volume of the operations, the experience used to guarantee themselves a position on the market and keep an attractive, lasting return on investment, accounts for the importance of objectives such as profitability, liquidity, risk management, and world-wide scale investment growth.

The impact of capital concentration on the Bulgarian market is not only related to the evolution of the profit rate of the French financial intermediaries, but also depends on various factors: the country's financial situation, its political orientation, how open the market, the trade barriers, the legislative and financial limits which determine how and how much the market is liberalized. In more practical terms the elements above lead to the problem of capital transfer⁴. The purpose is to study how the inflation and deflation processes, as well as the general price level, are an essential circumstance provoking interest cost fluctuations. Those are closely linked to the nominal and real interest rates determining the repayment of the external public debt⁵. The capital loaners (the French banks), would rather reimburse the financial bonds at a low monetary level, whereas the borrowers (the Bulgarian government) seek to evaluate the monetary unit through the macroeconomic variables. In a politically and economically unstable environment such as the Bulgarian market⁶ at the time, the investors do not feel safe from the risk of monetary depreciation. The biggest menace for stocks and shares being inflation, the problem of guarantee and loan security arises. The control of the monetary unit value also depends on the level of subordination of the Bulgaria National Bank (as a bank of issue regulating the market) to the government.

Government loans can be seen as a commit-

ment between the government and the banks, concerning the whole nation: confidence in the government policy is therefore essential⁷. French banks make the Bulgarian market more competitive, and, through the internationalization process⁸, open the Bulgarian economy to capital circulation. The consequences of public loans for the borrowing country are the following: if they are directed to industrial and economic profits, they have favourable results because they are productive. In other cases, public loans induce losses and pauperisation, especially during war years.

However, the expansion of French banks on the Bulgarian market⁹ is not restricted to the management of the Bulgarian government loans. They also create banking companies which support the growth of the Bulgarian industries, especially in the areas of railway¹⁰, harbour and road infrastructure building (Banque de l'union parisienne, Paribas, Société générale, etc.). The presence of French banks is favourable thanks to an integrating, leading role. It allows the banking capital and the trading and industrial capital to come together more quickly, which leads to more trade, budget deficit recovery, and credit and banking activities standardization. Those groups have an influence on the Bulgarian financial growth. They finance credit institutions and industrial and trading companies, they participate in other banks' financial operations as sub-participants, and they run their internationalization, i.e. their presence in the dialogue between the Bulgarian government and the financial groups. Their position in the banking sector can be described by two main characteristics: the French banks participate in the credit companies or banks Boards of Directors (Crédit foncier franco-bulgare, French-Bulgarian Bank, etc.), and they collaborate or have business relations with private Bulgarian banks (the Bulgarian bank of trade in Roustchouk - BUL-COMBANK)¹¹.

At the turn of the 20th Century, anonymous societies expand considerably, but they generally

have very limited capital. Most of them take care of trading and financial operations, but very few deal with industrial business. The national level of economic development opens various possibilities of investments and profits. "With the growing development of Bulgaria's economic activity, the two big financial institutions the Principality has, Bulgaria National Bank and the Farmers Bank, are no longer sufficient for the legitimate requirements of the country." "Directed in the restricted area" of their statutes, "wisely, but also with extreme caution, both those institutions work with the outstanding status of government departments, and they necessarily lack the freedom to act and an enterprising mind indispensable to a financial organism which would apply itself to support and guide the industrial and trading development of a country still young"¹². The main objective of the intervention of French banks is to invest capital, but international relations are also essential.

The French-Bulgarian Bank was established during the first decade of the 20th Century in Sofia, with 1 million francs, of which Paribas and its partners brought 60 percent, and the Bulgarian banks 40 percent¹³. The French-Bulgarian Bank specializes in security trade, advance and industrial investment granting. It also has a very important mission – to define the French position in Bulgaria in 1905-1906, especially its commitment in the Balkan financial world. At the same time, the General Bank of Bulgaria, gathering French, Hungarian and Austrian interests, is created – Banque de Paris et des Pays-Bas and Banque de l'union parisienne with 58 percent, Hungarian Trading Bank with 29 percent and Allgemeine Oesterreichische Boden Kredit Anstalt.¹⁴

Two banks will then open thanks to French investments: Banque franco-belge (soon to be Banque franco-belge & balkanique) and Crédit foncier franco-bulgare (in 1912). Both banking companies integrate into the Bulgarian economy by developing detail bank activities (deposits, granting advances and loans, bills of exchange

discount) and investment bank activities (investing in industrial and traditional business). French capital does secure a position on the market through mortgage companies and deposit and discount banks. But creating an investment bank controlled by French money stimulates French initiatives in the industrial domain, in which banking companies can have higher interests – Distilleries françaises de la Vallée de la Rose (distillery), whose headquarters are in Paris, Société anonyme de sucrerie et raffinerie (sugar house and refinery) in Bulgaria, founded with a 5 million franc capital, Faïencerie de Daunaw, whose headquarters are in Paris, founded with a 18 million share capital, Société anonyme des briquettes de lignite de Bourilo (brown coal brick company), founded in 1910 with a 2 million franc capital¹⁵.

Various industrial companies are founded with French capital¹⁶ before 1900: Prince Boris - a company exploiting coal in Trevnen and match factories in Kostenec. Those make up various intervening groups, which integrate steadily into the industrial investment market, developing their activity from studies and analyses on growth perspectives. In the beginning of the 20th Century, the growth in Bulgarian industrial sectors particularly depends on French companies, which invest 2.7 million francs in commercial forests and 3.7 million francs in the mining industry¹⁷. The recent industrial companies study the possibility of exploiting and exporting brown coal. For instance, Banque de Paris & des Pays-Bas sets its zone of influence on the Bulgarian market by preparing investments in the coal-mining domain. The carboniferous areas are analysed in order to be exploited. Some coal galleries expand around Sofia (over a distance of 42 kilometres), Kostinbrod (24 kilometres), and Svoje (16 kilometres). The insufficient mine production leads to importing more foreign coal, especially after the War¹⁸. The main coal supplier for interior needs is the Pernik mine. Its development depends on the improvement of the railway network – part of which is financed by Banque de

Paris & des Pays-Bas, Société générale, Comptoir national d'escompte de Paris, etc.

France and Belgium take a leading part in financing the Bulgarian industry: Société belge des tramways électriques (Belgian company of electric trolleys) in Sofia (1.75-million-franc capital) merges with Compagnie française des grand travaux, from Marseilles (French civil engineering company), which provides lighting in Sofia (3.5 million franc capital). Behind those innovative industrial companies is the big capital of credit companies such as Comptoir national d'escompte, Société générale, or Société marseillaise de crédit. They are bold investors managing a 34.4 million franc capital in 1909. The figure is higher than the Belgian investments, which amount to 21.35 million francs, and remains more than the English capital, which amounts to only 3.54 million francs in Bulgaria¹⁹.

We can draw two main conclusions about the French intervention in Bulgaria. First, the economic expansion of a country is based on its banking evolution and institutionalization. In that sense, calling for foreign capital is a means to secure the country's financial reconstruction. The second conclusion concerns the compatibility between banking evolution and political regimes. More precisely, we can draw underlying, yet very important conclusions from those reflections. The influence of French banking groups on the Bulgarian banking market is an inevitable historical circumstance, for a banking system that is not well developed, in order to reach an accumulation of development capital. The remaining question is: does that influence lead to an imperialistic-type dependence? What needs to be cleared right away is that financial dependence does not necessarily lead to imperialist relations, though creating imperialist-looking conditions.

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Endnotes

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- ³ Youssef Cassis, *Les capitales du capital*, op. cit. p. 148.
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- ⁵ Cf. Jean Andreau, Gérard Béaur et Jean-Yves Grenier (sous la direction de), *La dette publique dans l'histoire : les journées du Centre de recherches historiques des 26, 27 et 28 novembre 2001*, Paris, Centre de recherches historiques, le Comité pour l'histoire économique et financière de la France, 2006.
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- ⁸ About the capital movements of French groups see : Emile Becqué, *L'internationalisation des capitaux : étude économique, financière et politique*, thèse de doctorat, Université de Montpellier I, 1912 ; Rondo Cameron, *France and the Economic Développement of Europe, 1880-1914. Conquests of peace and seeds of War*, Princeton University Press, 1961 ; Maurice Lévy-Leboyer (sous la direction de), *La position internationale de la France : aspects économiques et financiers, XIX^e-XX^e siècles*, Deuxième Congrès national, Association française des historiens économistes, Paris, Éditions de l'École des hautes études en sciences sociales, 1977 ; Alain Plessis, Jacques Thobie, Raymond Poidevin, Albert Broder, *Banques et investissements (1850-1914)*, Paris, S.E.H.R.I.C, 1982. ; Charles Kindleberger, *Histoire financière de l'Europe occidentale*, Paris, Economica, 1985 ; Hubert Bonin, *Le monde des banquiers français au XX^e siècle*, Bruxelles, Éditions Complexe, 2000 ; Georges Gallais-Homnon et Pierre-Cyrille Hautcoeur, *Le marché financier français au XIX^e siècle*, Paris, Publications de la Sorbonne, 2007.
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- ¹⁴ *Situation économique et financière de la Bulgarie*, Sofia, Banque franco-belge & balkanique, 1927, p. 139 ; cf. Luben Berov, « Foreign Capital in the Bulgarian Banking System, 1878-1944-1997, in: Kostas Kostis, *Modern Banking in the Balkans and West-European Capitals in the Nineteenth and Twentieth Centuries*, Aldershot, Ashgate, 1999, p.15.
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- ¹⁹ Idem.

Foreign Capital in Southeast Europe during the Interwar Period

“...the nature of the past illuminates the critical controversies of the present. This is outstandingly true of any explanation of the historical causes of economic development in a region as sensitive to its past as Eastern Europe”

Chrirot, D., 1989

The years after 1889 and 1919 bear some similarities to the Southeast European region. Both years marked the end of an era and, while the Cold War arguably cost less in direct human and economic costs, the after feelings of urgency for economic stability and growth, coupled with political turmoil were almost identical. The words of the Bulgarian Prime Minister upon that country's accession to the European Union, in January 2007, carried the same spirit as the statement of Stoyan Bochev, a prominent economist and banker of Interwar Bulgaria – both foresaw a thorny road of economic convergence, but expressed overly optimistic reliance on foreign funds in support of the country's development¹. Indeed foreign capital has played an extremely prominent role in the Balkans during both periods. In the 1920s, as in the 1990s it found its way to the local banking systems and to industry and agriculture in search of profit. As opposed to the pre-1914 period, when state loans were more widespread, the years 1920-1939 saw Western finance acquiring direct stakes in the joint-stock capital of the larger local commercial banks and industrial enterprises². The amount and types of foreign investment in individual economies varied from country to country, but its composition in South-eastern Europe profoundly influenced industrial and financial structures and development.

The economic history literature offers no consistent narrative of the development of the Southeast Europe pre-1945. Local historians and economists, largely from the period before



1989, follow Gerschenkron in presenting a negative picture of failed industrialisation and inefficient agrarian sector in the midst of political turmoil, explained by a class struggle³. Recently, efforts have begun to review our understanding of the economic history of the region. Ivanov and Tooze have reconstructed GDP figures for Bulgaria for the late 19th Century and link these to the murky picture we have for the 1920s and 1930s⁴. They have put forward a more optimistic conclusion of evolving agricultural sector, which saw structural changes, significant enough to act as preconditions for modern economic growth. Next to nothing is known about the industrial development of the countries in the region, as well as the financial sectors⁵. Notel has suggested very tentatively a link between international finance and improvements in industrial technology – management practices, machine techniques as well as market orientation⁶. This paper puts the basis of a broad research project aimed at investigating the sources of development in the Balkans, in particular the effects of international capital flows on the host economies of Bulgaria, Greece, Romania and Yugoslavia during 1920s and 1930s.

Both the character and the magnitude of the movements of international capital in the Interwar Period around the globe were significant enough to leave their mark on the economies of the core and the periphery. In fact, the sums which flooded into Europe immediately after the First World War and then raced back to the donor countries are seen as one of the most influential factors for the 1920s and 1930s economies. Keynes expressed his doubts about the magnitude of European bonds issued in the US as early as

1922: he could not see a fundamental ability to repay the American credits and prophesied the sharp reversal of the flows that was to happen in the 1930s⁷. Bloomfield condemned the erratic behaviour of international finance: '... far from serving a useful function, they left nothing but disturbance and damage in their wake'⁸. A more recent re-examination of the evidence by Feinstein and Watson has confirmed the 'destructive and destabilising effects' that occurred in the 1930s, but whose potential could already be detected in the 1920s⁹. The following two graphs are extracted from Feinstein and Watson (1995) and trace the movements of capital flows on the aggregate level in the world economy.

Chart 1 presents the breakdown of capital flows according to country of origin or receipt. The stylised fact of the literature is borne out – the US is the largest creditor. France and the UK have an equal share of exports of capital, while a string of other European countries were also capital exporters – among them the most significant were the Netherlands, Switzerland, Sweden and Czechoslovakia. The rest of the world was on the receiving end of these capital flows – Germany obtaining the lion's share of \$4.2bn, or about one-third of the total sum for debtors

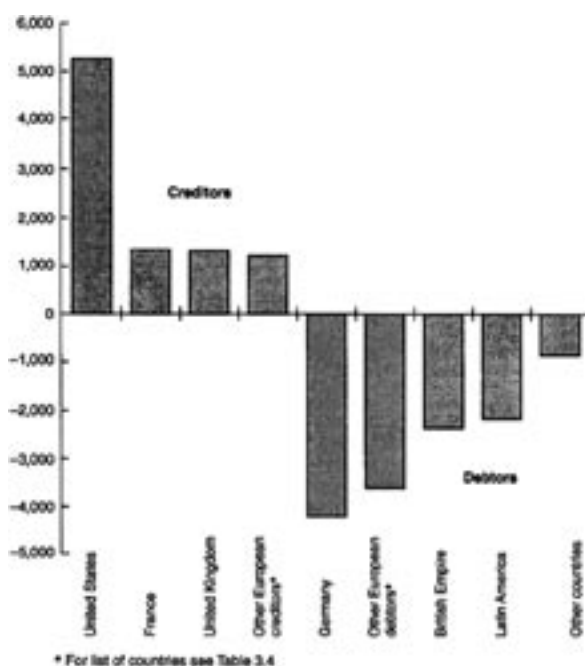


Chart 1: Composition of global capital flows, 1924-1930, \$m. (SEE countries appear under Other European Debtors); Source – Feinstein and Watson, 1995

of \$13.2bn¹⁰. Large sums, a quarter of the total, were also channelled into Eastern Europe and the Scandinavian countries.

Feinstein and Watson make a comparison of the long-term private investment outstanding at the end of the Interwar Period and the pre-World War I period¹¹. By 1938 the estimated total was approximately \$53 billion, only about 15% higher in nominal terms than the total in 1914 – some \$46 bn. In real terms, however, taking into account the inflation of World War I and the post-1919 years the value of accumulated foreign assets was well below its pre-war level¹². The largest change in terms of foreign assets was seen in the French and the German case – neither country rebuilt its pre-1914 portfolios. The other striking case was the US, which increased its long-term external assets threefold from \$3.5bn to \$11.5bn between 1914 and 1938¹³. Despite this – the UK remained the largest foreign investor even after the Interwar Period with assets double those of the US - \$22.9bn.

These stock comparisons are only illustrative and not a thoroughly reliable indication of the net flows of capital. The differences between 1914 and 1938 may well reflect changes between the market value of the company securities and the book value of direct investments, exchange rate revaluations and the loss of government securities through defaults or wartime disposals. This overall comparison also conceals some of the crucial and most volatile aspects of capital flows in the interwar period. Firstly – one can not get an appreciation of the extent and character of the short term flows that grew in size and volatility during the period. Secondly – the character of capital flows, both short and long terms, differed very markedly in the two successive decades – 1920s and 1930s. Chart 2 presents estimates of the actual movements of capital within the period.

Evident is the sharp discontinuity between the two interwar decades. The high point of international investment occurred in 1928 while after 1930 there was no further net investment

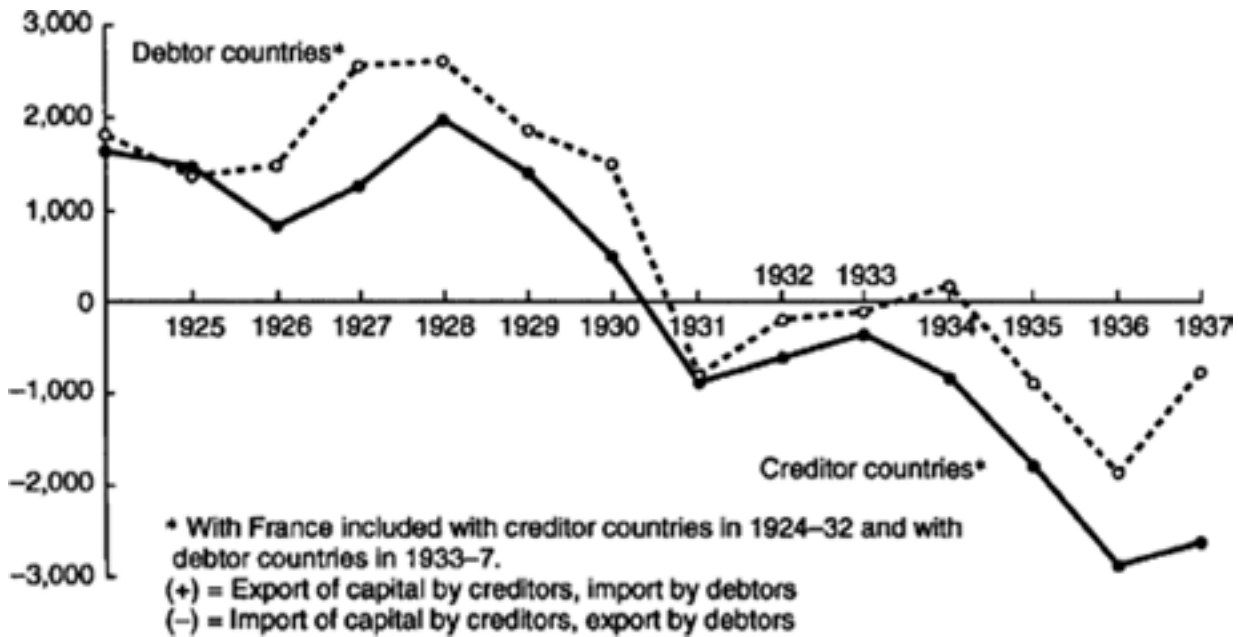


Chart 2: Global capital flows, 1924-1937, \$mln; Source – Feinstein and Watson, 1995

abroad by the major creditors as a whole (indeed the US maintained a small net outflow for a further 3 years, while the major European creditors became net importers of capital from 1931 onwards). The investment pattern during the 1920s was similar to that of the pre-1914 period. The rich, creditor countries were channelling funds to the less developed countries in Europe and around the world. Debtor countries wished to exploit the greater wealth of the western economic core in support of their own economic development, while private investors from the US, Great Britain and France chose to buy foreign bonds and shares in expectations of higher return. From the break-point of 1930 onwards this trend was sharply reversed. Vast sums flowed from the less developed world to the former creditors. Furthermore, these capital flows seemed to have followed an irrational path – from countries with balance of payments deficit to those with surplus, from capital markets with high interest rates to those with lower rates. There are economic and political reasons for this seemingly irrational behaviour of 1930s international capital. The early 1930s banking and financial crises undermined the confidence of investors in the stability of the debtor economies. Given the initial outflow, more and more coun-

tries chose to attempt to protect their currencies from depreciation and their dwindling reserves of gold and foreign currency, some protective measure were erected. This spurred further outflow as the final loopholes were being closed. Furthermore, the recovery of the security prices on Wall Street from the spring of 1935 onwards provided a further incentive for capital flight to the US¹⁴. Some strong political messages from the mid 1930s supplemented the economic concerns. The increasingly aggressive foreign policy actions of the radical regimes in Europe, like the Italian invasion of Ethiopia, German remilitarisation of the Rhineland in 1936, and the Spanish civil war of the same year, ensured that the US and Great Britain were seen as the only safe havens for investors' capital. This is not an exhaustive account of the factors that influenced international capital flows, but rather a few broad lines, which may help us comprehend the aggregate capital flows into the Southeast European region – to which we now turn. Availability of data from printed sources on interwar capital movement in the Balkan states is limited. The main source for estimates of capital movements are the accounts of the balance of payments – more specifically of the capital ac-

count, which distinguished between the short term and the long term obligations. These figures include merchandise trade, services, remittances and other transfers, interest and dividends, as well as gold and foreign exchange estimates. These figures are quite reliable and regularly reported in the publications of the League of Nations, 1922-1939¹⁵. What they do not however give us is any further breakdown of the gross flows. The capital accounts of the League of Nations, *Balance of Payments*, provide more detailed information on the transactions in international debt. These cover long term portfolio investment, long term direct investment by companies in foreign subsidiaries or associates, and the short term holdings of foreign assets. A small booklet issued by the United Nations – *International Capital Movements during the Inter-War Period* – in 1949 is also helpful in cross-comparing the estimated deficits/surpluses on

the balance of payments account¹⁶. This is really an update and aggregation of the earlier League of Nations publications and acts to confirm reliability. A rather more useful source was an unpublished League of Nations paper – *Europe's Capital Movements, 1919-1932: A Statistical Note*¹⁷. It provides data on bonds issued by the Balkans states until 1932; it is possible to detect where the loans were floated, the countries which subscribed to them and also any repayments. Unfortunately, the period post-1932 is not covered.

The information on long term direct investment by companies in foreign subsidiaries and the short term holdings of foreign assets is rather more erratic – especially for any region outside of the major countries. Data on Romania and Greece is missing for large parts of the 1930s. Particularly problematic is Romania, which has provided no estimates on its capital account post-1933. These missing estimates will have to be collected from a comparison of outward investment from the creditor countries (where information on long term portfolio investment and direct investment is available in a comprehensive manner for the US, but in a considerably poorer manner by the other major creditors) and inward investment from local company balance sheets and returns for tax purposes in the Balkan states themselves¹⁸. This is data still to be collected and would allow the further, much broader questions in the research agenda to be addressed.

Table 1, constructed with data from Feinstein and Watson, presents the sums provided by creditors and borrowed from debtors within Europe during the two decades of the Interwar Period. All four of the Balkans states were significant debtors during the 1920s. The largest debtor was Romania, with \$440 millions of borrowed sums, while smallest amount of funds were lent to Bulgaria – some \$50 million. Bulgaria was also the only country of the four we are discussing that became a creditor during the 1930s.

Chart 4 shows that all of Romania, Yugoslavia

Balances on current account, gold and foreign currency: European creditors and debtors, 1924-1930 and 1931-1937 (\$m., to nearest \$10m)			
	1924-1930	1931-1937	1924-1937
Europe: creditors			
UK	1.3	-4	-2.7
France	1.34	-690	650
Netherlands	380	-290	90
Switzerland	370	-340	30
Czechoslovakia	250	90	340
Sweden	180	-20	160
<i>total</i>	3.82	-5.25	-1.43
Europe: debtors			
Germany	-4.19	1.01	-3.18
France	-	2.19	2.19
Austria	-860	-150	-1.01
Italy	-710	-50	-760
Romania	-440	-110	-550
Poland	-400	70	-330
Hungary	-320	20	-300
Greece	-310	-120	-430
Belgium	-240	230	-10
Norway	-140	0	-140
Yugoslavia	-80	-50	-130
Bulgaria	-50	20	-30
Finland	-40	150	110
Denmark	-40	60	20
Baltic States	0	40	40
Ireland	30	-130	-100
<i>Total</i>	-7.79	3.18	-4.61
<i>Total Europe</i>	-3.97	-2.07	-6.04

Table 2: Capital Issues for Southeast European Account: Source-League of Nations, 1943

Capital Issues for European Account: Bonds, 1919-1932 (\$s mins)										
Borrowing Country	Total	Lending Countries						Nature of Borrowers		
		US	UK	France	Netherlands	Switzerland	Sweden	A	B	C
Bulgaria	38	14	15	5	2	2	non	38	non	non
Greece	141	25	105	non	1	3	7	118	non	23
Romania	153	13	22	71	4	5	38	148	non	5
Yugoslavia	140	50	17	41	non	10	22	121	non	19
T-total	A-Gov			B - Municipalities		C- Corporations				

Table 3: Capital Issues for Southeast European Nations: Bonds: Source-League of Nations, 1943

and Greece experienced outflows of capital in 1933, however this was only temporary. All three continued to receive foreign funds throughout the 1930s, although on a much smaller scale and rather more intermittently. For 1930s Romania, we only have Feinstein and Watson's guestimate of a total figure, which they constructed from anecdotal evidence on continued investment into the oil industry around Ploesti. Bulgaria was the one country that followed the general pattern established for debtors during the Interwar period - accumulation of foreign investment during the 1920s and then a slow but sustained outflow during the 1930s. It was also the only defeated nation in World War I from the region – which can explain the small amount of inflows during the 1920s relative to the other three nations: it obtained two loans organised with the help of the League of Nations, the Stabilisation loan of 1926 and the Settlement loan of 1928.

Table 2 and 3 illustrate the bond issues by the Balkan states until 1932. The majority of these loan subscriptions were issued with the assistance of the League of Nations. For defeated Bulgaria, there were two reasons for League supervision – first to oversee the reparation settlements and thus linking the lending to the former, and second to establish financial stability after the post-war inflations to enable this country to meet any reparation repayments. The Financial Committee of the League also assisted in the provision of reconstruction loans to Greece in 1928, Romania in 1929 and 1931 (formally called the Investment Loan floated in the French capital market by the Romanian Mo-

nopolies Institute), and Yugoslavia in 1922, 1927 and 1931¹⁹. Table 2 is particularly useful because it allows us to follow through the country of origin of the investors which subscribed to these bond issues. Great Britain is the leading investor in the region, following the long term investment pattern of late 19th and early 20th Centuries. The US was an important creditor with an amount that was approaching French funds, while Germany, a very significant investor in the pre-1914 period, was completely absent.

The aggregate patterns in chart 4 are broadly following the stylised knowledge of the capital movements of the Interwar period. The rate of inflows was intensive in the pre-1930 period and then started receding. The international financial and economic crisis has a sharp effect on the Balkan economies. The capital inflows after the Depression were infrequent, some of the corporate stock was written-off and a lot of the capital was repatriated.

Capital Issues for Balkan Countries: Bonds, 1920-1932, \$ mn				
	Bulgaria	Romania	Greece	Yugoslavia
1920	0	3	0	0
1921	0	0	0	12
1922	0	0	0	15
1923	0	39	0	0
1924	0	0	43	3
1925	0	0	1	0
1926	14	0	8	0
1927	0	4	10	37
1928	24	4	54	22
1929	0	75	1	5
1930	0	0	11	0
1931	0	27	13	46
1932	0	0	0	0

Table 3: Capital Issues for Southeast European Nations: Bonds: Source-League of Nations, 1943

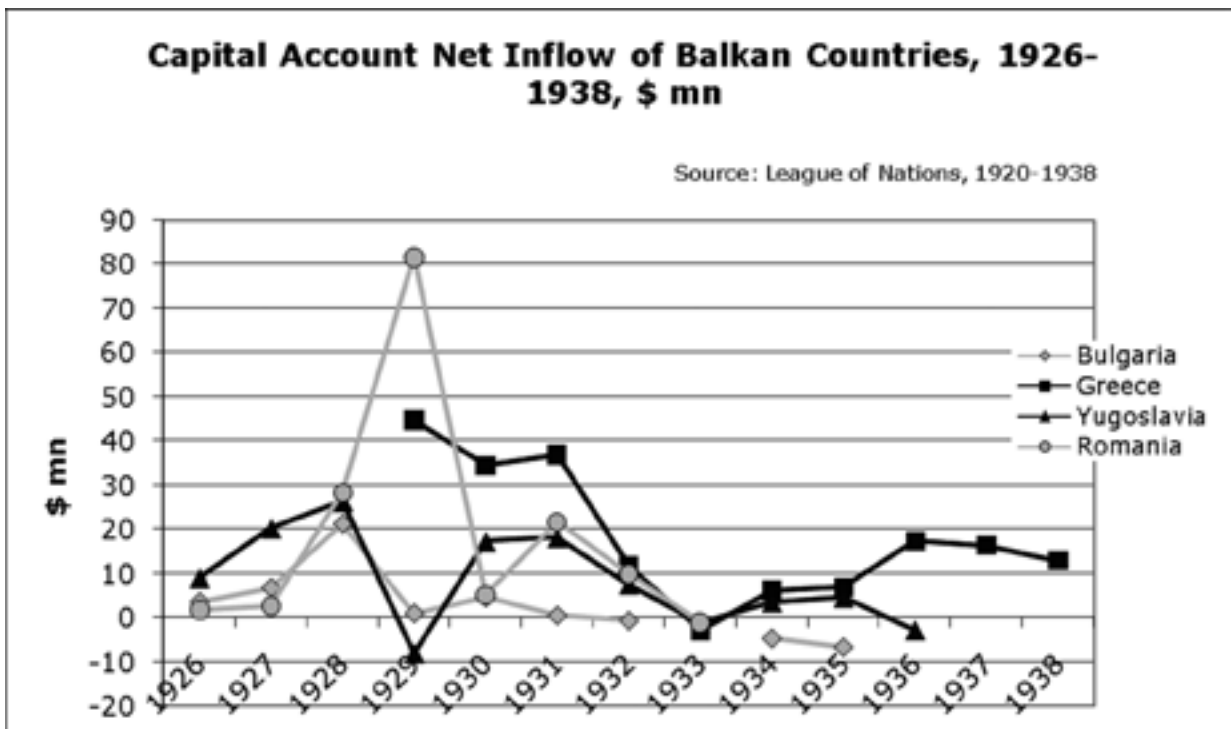


Chart 3: Capital Account Net Inflows, Southeast European Nations, 1926-1938; Source: League of Nations, various issues, 1920-1939

The following two tables, 4 and 5, present two snapshots of the distribution of foreign funds in the Balkan economies in 1928 and 1935. The state has had the largest share of foreign funds, something expected given the mammoth task of reconstruction the Balkans had to undergo after the damage incurred during World War I. Industry, including mining, steel, oil, and tobacco, as well as banking and financial services were the other significant sectors that attracted foreign investment.

There are some disparities between the data from Lampe and Jackson (used for table 4,B) and table 2, because the border date for the data collected for table 4 is before the loans arranged in this year, which would explain the smaller share for US and British investors. Table 4 (A and B) outlines the foreign participation in domestic enterprises in Bulgaria and Yugoslavia for 1935. There is a question about its reliability since Koser and Radice do not present a clear source for these findings²⁰. Still, comparing figures 3B and 4, we can see that Great Britain and Switzerland (both with 24% and 37% from table 3B respectively and only 16% and 30% from

table 4 respectively) were amongst the leading subscribers to the publicly floated loans to Bulgaria and Yugoslavia, hence were less active in direct participation in domestic enterprises. France, the US and Austria (with 36%, 14% and 5.8%, in participation in the foreign debt, respectively), however, more than made up for their share in the national loans by purchasing direct shares of domestic enterprises in these countries (41%, 22% and 16%). This provides a small snapshot of the competition that went into acquiring shares of the financial borrowings of the periphery, well described in Moreau's memoirs of the activities of the Bank of France in the period²¹.

The figures presented in this essay are rather tentative and can only claim limited reliability. They allow us only a cautious peak into the aggregate movements and distribution of capital flows in the Balkans during the Interwar Period. What they underline is, however, the dynamism of foreign funds that entered the region in large volume despite the economic and political turmoil after World War I. Table 4 (A) is a small step in confirming the speculation that the nature of

foreign funds going into the region after 1919 changed in comparison to those pre-1914. Before the Great War, the only large scale borrowers were the governments themselves and as such were lenders from the developed world, since lack of knowledge and trust prevented private capital from reaching local enterprises. This meant that the majority of the funds were used to support the national unification ambitions of the Balkan nations, effectively creating the military forces, which fought each other and some of the Great Powers during the conflicts of the 1910s. The foreign funds during the Interwar Period went to different destinations. Although smaller than the share of public finance, foreign investment that went into private enterprises signified

substantial chunks of the various sectors (Lampe and Jackson suggest figures of significant magnitude – the foreign share of the banking sectors of Romania and Bulgaria was 65% and 40%; industry around 70% and 45% respectively)²². Further data collection of the disaggregated figures of firm level capital structure will allow us to pursue the agenda suggested at the beginning of this essay: identify the competing effects of foreign and domestic capital, the effects that international capital had on the development of the Balkans states and in particular, to test some of the hypotheses suggested about beneficial transfer of technology, managerial expertise and spillovers from the industrialised core.

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A: Comparative Levels and Distribution around 1928				
	Bulgaria	Greece	Romania	Yugoslavia
Gold/Franca (per cap)	122	293	123	105
Distribution (%)				
Public Finance	82.6	70.7	74.6	67.7
Trade	2.0	7.7	0.8	3.3
Banking	2.8	7.1	1.8	6.4
Industry	12.2	3.5	22.0	20.2
Transport and Comm		7.5	0.5	1.9
Insurance	0.1			0.1
Other	0.3	3.5	0.2	0.4
total	100	100	100	100
B:				
Source (%)	Bulgaria	Greece	Romania	Yugoslavia
French	11.2	12.0	17.4	24.5
English	1.4	57.0	26.6	22.8
Belgian	28.5	8.0	16.8	4.4
Italian	9.8	4.5	9.4	4.9
German	6.8	6.0	6.3	6.6
Czech	6.3		6.6	16.3
Swiss	23.4	2.0	2.6	13.3
American	8.4	10.5	7.8	5.6
Austrian/Hungarian	4.2		6.5	1.6
total	100	100	100	100

Table 4: Indicators of Foreign Capital Investment, 1928; Source: Lampe and Jackson, 1982

Foreign participation in domestic enterprise, 1935: distribution by countries				
	\$ mln. Pre-1934 parity		% distribution	
	Bulgaria	Yugoslavia	Bulgaria	Yugoslavi
France	2	15	11	30
US	2	6	11	11
Germany	1	1	5	1
UK	0	7	1	15
Belgium	4	3	28	6
Austria	0	4	3	8
Switzerland	4	3	23	7
Netherlands	0	1	1	1
Czechoslo	1	5	6	10
Italy	2	2	10	4
Sweden	...	1	-	1
Hungary	0	2	1	4
Unspecif	-	1	-	2
total	16	51	100	100

Table 5: Foreign Capital Participation in Domestic Enterprises: 1935-1939; Source – Kaser and Radice, 1986

Endnotes

- ¹ Mr Stanishev's speech recorded on Radio Bulgaria: http://www.bnr.bg/RadioBulgaria/Emission_English/Theme_Politics/Material/PMintBTA.htm, ; Bochev, S., Kapitalizmut v Bulgaria, Sofia, 1998; p. 232
- ² Teichova, A., Interwar Capital Markets;
- ³ Gershenkron, A., Economic Backwardness in Historical Perspective, Cambridge MA, 1962; Berov, L. The Bulgarian Economy, Sofia, 1989; Jelavich, B., Jelavich, C., History of the Balkans, Bloomington, Indiana, 1983;
- ⁴ Ivanov, M., Tooze, A., Convergence or Decline in Europe's Southeastern Periphery, JEH, 67/3, 2007;
- ⁵ Kossev, K., The Banking Sector and the Great Depression in Bulgaria, 1924-1938, Bank of Greece Working Paper, 2008; has presented new data for the development of the Bulgarian banking sector during 1924-1937, which show a dynamic sector with interest in financing industrial enterprises;
- ⁶ Notel, R., International Credit and Finance, in Kaser, M., Radice, E., The Economic History of Eastern Europe, 1919-1975, Oxford, 1986;
- ⁷ Keynes, K. M., A Revision of the Treaty, London, 1922, p. 162
- ⁸ Bloomfield, A., Irving, A., Capital Imports and the American Balance of Payments, 1934-1939, Chicago, 1950, viii;
- ⁹ Feinstein, C., Watson, K., Private International Capital Flows in Europe between the Wars, p.22, in Feinstein, C., Banking Currency and Finance in Europe between the Wars, Oxford 1995;
- ¹⁰ Feinstein and Watson, p. 110;
- ¹¹ Ibid, pp.97-100;
- ¹² International Capital Movements during the Inter-War Period, United Nations, New York, 1949
- ¹³ Ibid, p.10;
- ¹⁴ Feinstein and Watson, p. 102
- ¹⁵ League of Nations, Balance of Payments, and LN, Statistical Yearbook, various years, 1922-1938;
- ¹⁶ United Nations, 1949
- ¹⁷ A typed copy of that paper is to be found in the Nuffield College Library, Oxford; it is dated June 1943;
- ¹⁸ US Department of Commerce, Historical Statistics, Washington, 1975; see also Lewis, C., America's Stake in International Indebtedness, Washington, 1938
- ¹⁹ Europe's Capital Movements, 1943; Kaser and Radice, pp.200-204;
- ²⁰ Kaser and Radice, pp. 270-277
- ²¹ Moreau, A., The Golden Franc, Oxford, 1991
- ²² Lampe and Jackson, 1982, pp.428-429

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The Rothschild House of Naples (1821 - 1863) Business, Local Market and the Mediterranean

The 2nd World War did not destroy Neapolitan Archives

Over the years, a substantial number of works, through diverse and crossed approaches, have paid great attention to the reconstruction of the Rothschilds' fortunes and to the organization and dynamics of their growing wide-ranging business. However, despite the very accurate and documented analyses which literature has carried out, only a vague outline has been drawn regarding the House of Naples (1821-63). Some general features just slightly sketched out have systematically stressed the point of its residual role within the operational dynamics of the five-branched family bank system. On the other hand, the location in a peripheral area, as the kingdom of the two Sicilies, alongside the limited scale of the Neapolitan House's business – as was accurately demonstrated by Bertrand Gille through the balance sheets of the branch – have, over the time, supported the idea of a minor role of the Rothschild House of Naples.¹ Furthermore, with regard to the activities undertaken by this bank, many scholars have placed much emphasis especially on the importance of the four main loans which Karl Rothschild granted to the Bourbon monarchy, between 1821 and 1824, then loosing almost all traces of the further activities that the House undertook during the following forty-year period of its presence in Naples. Even the wide Italian historiography regarding the financial and banking structures of the kingdom of Naples as well as Italian pre and post unitarian finances² seem to have generally been aligned with the assessments of the international literature about the family fortunes, and no particular attention has ever been paid to the activities of the Rothschild House of Naples. In this case, the neglect is particularly serious because the financial history of the Bourbon kingdom has been written without historians



New research

had substantially appraised the impact that the presence of a highest rank banker – who operated for more than forty years in constant close contact with the government and all the local financial institutions – exerted on the evolutionary dynamics of public and private finance. Thus, about the House of Naples, lots of information are scattered amongst hundreds of books and only few specific studies have analyzed in depth single aspects or, in turn, isolated sets of its activities, mainly with regard to the funding operations to the Italian States³ besides some recent superficial forays into some minor private credit activities.⁴ In this sense, Italian literature has failed to improve what one could define a very superficial and fragmented outline of the history of the Rothschild House of Naples.



Karl Rothschild

At this point, what is worth noting is that all of the literature results are based on very rich original documentary sources from the Family Archives and from the most important European and Italian Archives, except from Naples ones. On the other hand, in presenting the archival sources which he made use of for his impressive work on the House of Rothschild, Bertrand Gille textually wrote: “On sait que les archives de Naples ont été entièrement détruites lors de la dernière guerre”.⁵ But the Naples Archives were not entirely destroyed during the 2nd World War. Probably, at that time, they were only not yet reorganized. Thus, at this time, Naples archives, namely the State Archive of Naples (ASN) and the Historical Archive of the Banco di Napoli (ASBN), still offer a wide mass of original documents about the activities of the Rothschild House of Naples.⁶ These archival materials allow to deepen some already known features, also verifying numerous data incongruities, and to reconstruct many features which are

still entirely neglected. Generally, the documents available at the State Archive⁷ are progressively disclosing more accurate information regarding what was the array of the activities which the House of Rothschild undertook under the protection of the Neapolitan government throughout the forty-year period of its stay in the kingdom. While, the documents available at the Historical Archive of the Banco di Napoli⁸ essentially help to reconstruct the mercantile activities regarding goods and moneys trade, especially through the *fedi di credito* (deposit certificate) relative to the handlings of the substantial deposits in ducats and pillared dollars which the House of Rothschild had opened at the Bank of the Two Sicilies.

In the light of the said new sources, a new overall research on the Rothschild House of Naples seems to deserve more scientific consideration than it has yet received. At this regard, only after a crossed analysis of the evidences backed from Neapolitan archives, with those from the Family Archives and with literature results, it might be possible to trace an exhaustive outline about the history of the fifth branch of the Rothschild system. A new research could finally add another tessera to the complex puzzle of the history of the family business but it could also give a new contribution to the financial history of the kingdom of the two Sicilies, giving reason



Fede di credito in the name of Karl Rothschild - front side



Fede di credito in the name of Karl Rothschild - back side

of some unexplained mechanism and dynamics of its financial and monetary systems. Even at a preliminary stage, in order to channel archival information into more definite lines, research focuses on three main issues. The starting point is that of a business history. Therefore a history from the banker point, paying particular attention to the organization of the bank firm and to a complete and systematic reconstruction of its activities. The second point is that of the local market. A history from the Naples point, which is fundamental to assess the influence that the lasting presence in Naples of the House of Rothschild exerted on the local financial and banking structures. The third point is the Mediterranean. A history from the family system point, which could better explain the role of the Naples House of Rothschild as a strategic articulation of the system within the Mediterranean area.

Business history, local market and the Mediterranean

Business expansion

The fifth branch of the House of Rothschild operated in Naples between 1821 and 1863, namely a period marked by two fundamental political

events: the 2nd restoration of the Bourbon to absolutism (1821) and the political unification of Italy (1861). The bank firm was run by Karl Mayer Rothschild, till his death in 1855, and then by his son Adolphe Karl who definitely left Naples and business in 1863. During the forty-year period of its stay in Naples the business of the Rothschild House were continuously expanding, not independently of what were the guidelines of the family interests. Also in the Neapolitan case, in fact, similarly to the scheme of activities of the other branches (except for the specialized House of London), the interests of the Naples House were informed at merchant banking and essentially ranged over government bonds, species, bills, merchanting, railways and public contracts, remaining far from industrial business. Each decade was characterized by a growing complexity of activities directly connected with the government and public finances and by new institutional offices which progressively consolidated Karl Rothschild's social standing within the Neapolitan high rank circles. Karl Rothschild arrived in Naples in March 1821 to provide the funds necessary to allow the Bourbon monarchy to honour the payment of the extraordinary ex-



Anglo neapolitan bond front side



Anglo neapolitan bond - back side

penses to support the Austrian army, which had been sent by Metternich in order to restore absolutism, after the Neapolitan liberal revolt (i.e. Carbonari revolt for the Constitution), in 1820-21. The main task of the banker was that of warding off the risk for Austria of paying any sum in advance for the Neapolitan military operation. The initial five-year period (i.e. 1821-26, the Austrian occupation) of his stay in Naples represented the fundamental platform for Karl Rothschild to establish some organizational lines,⁹ by forming a little network of local agents,¹⁰ and to define what would have been the strong points of his business: public debt and money trade. Immediately appointed as the King's banker,¹¹ he essentially worked at rescuing Neapolitan finances from bankruptcy, by issuing a series of 7 loans (totaling a nominal value of about 72 million ducats) in 5 years (1821-25) and by creating a local and international market for the discredited Bourbon sovereign debt. Furthermore, immediately after his arrival in Naples, he obtained the opening of direct exchange practises between Naples and German financial centres (1821)¹² and was authorized to free import and export gold and



Cover of a documental box- ASN Ministry of Finance - Cabinetbox

silver to and from the kingdom (1824).¹³ During the 1830s,¹⁴ after Karl Rothschild was appointed as the Neapolitan consul in Frankfurt,¹⁵ business progressively widened both geographically and functionally. In fact, between 1831 and 1837, the Rothschild House of Naples was involved in the funding operations to the Papal States and won two important contracts under the protection of the Neapolitan government, namely the contract for silver supply to the Naples Royal Mint (1832)¹⁶ and the contract for supply of "American leaves" (tobacco) to the Tobacco Naples Régie (1834).¹⁷ The 1840s were a turning point for the Neapolitan branch both with regard to the firm organization and its business. From 1844, the House of Naples finally gained its administrative and accounting independence from the House of Frankfurt, becoming the "C. M. Rothschild and sons"¹⁸ and widened its mercantile business, by establishing a firm in Gallipoli (Apulia), which represented the most important kingdom's place for oil production and trade.¹⁹ During these years the House of Rothschild also entered into the business of Neapolitan railways, winning the contract for the complete supply to the State of the tracks and the locomotives for the construction of the Napoli-Capua railway (1842)²⁰ and widened the business of tobacco supplies to the Sardinian government (1848). The 1848 revolts, opened new business perspectives for the 1850s, which were further characterized by a number of loans which Karl and Adolphe Rothschild issued to the Sicilian lieutenancy²¹. The decade, marked by Karl Rothschild's death in 1855, concluded with the political unification of Italy, in 1861, which brought a sudden change in the political and financial organization of the country. Turin became the new capital of the kingdom of Italy and the political and financial axis of the rising national State moved towards France. In 1863, Adolphe Karl Rothschild left Naples to Paris and entrusted the liquidation of the remaining activities to the local banker Auvergnny.

Local market and business network

This rough list of business, aimed at giving a general picture of the increasing activities of the House of Naples, highlights that Karl Rothschild progressively seized a substantial number of the main public business, acting as the most important banker in the kingdom. The dialectics State-banker, as the dialectics principal-agent, was particularly important in the case of the kingdom of Naples. In fact, the archaic financial structure of the kingdom systematically put the banker in the position of principal rather than in the position of agent. In the absence of a bank of issue, in the proper sense of the word,²² and in presence of a totally inefficient Stock Exchange, the role of the king's banker was of great importance to support the persistent financial weakness of the Bourbon monarchy. And this also gives reason of the increasing business that the House of Rothschild undertook under the government protection. Some broader issues, closely connected to different levels of cascade relations, lay in this dialectics and have still to be both reorganized and deeply analyzed. This, just starting from the relationship State-banker, where Rothschild managed to exert his influence on government policies, by acting as the king's banker. In this way he progressively concurred in reshaping another series of local place internal and external relationships. A remarkable example of the above could be that of the influence that Rothschild directly or indirectly exerted, by monitoring government behaviour, on those measures regarding public debt or customs policy (such as the drastic protectionism measures in 1823-24, to increase State revenues) or monetary matters (such as the request that Rothschild made to the king, in 1824, to let unvaried, for almost 7 years, the freedom in import an export of silver and gold).²³ In general, Rothschild's arrival and stay in Naples turned into a redefinition of new internal and external business hierarchies which, during a forty-year period, changed in relation to economic cycles as well. Within these new hierarchies, new business relations as well as

alternative business niches and new speculative dynamics took shape. A correct analysis of these hierarchies evolution and orientation could give a measure of what was the progressive process of adaptation of the peripheral Neapolitan place to those internationalization pushes which Rothschild had impressed with his presence. In this range, certainly lay the relationships established between Rothschild and the local financial community and the changes which these relations entailed in terms of new business directions in Naples. And also in this area find room those relationships which rose on the external of the local place and which, through Rothschild intermediation, linked the local financial community to the international web of credit and information, whose way of functioning provided the profits which could be earned in the arbitrages of foreign exchange. These relations, alternatively ruled by goods flows or by speculative dynamics of the cambium per arte, might also help to explain the lasting balance of the Neapolitan exchange system even in presence of a persistent trade gap.

The Mediterranean: a crossroads of relationships

The third point at issue regards the role that the Naples House played within the family system.



Rothschild house

Independently of the scale of its business, there certainly was a stronger motive behind the long presence in Naples of a Rothschild's branch. Fundamental, as often advanced in literature, was the strategic position of the peripheral kingdom of the two Sicilies within the Mediterranean area. Even if the Mediterranean was late with respect to the 19th century's wide structural changes in communications and transports, in fact, its strategic role was beyond dispute. It held a proven centrality as a fulcrum of relevant political movements [e.g. the conflict between Greece and Turkey (1821-30), the complex balances of the Ottoman Empire, the control taking of France on Algeria (1827-30)], as a crossroads of diplomatic relationships and as a crucial space of long distance trade flows as well. The House of Naples acted as the conjunction of a series of relations, operating on information, trade and monetary circuits, between the Mediterranean and Europe (London and Paris above all). Thanks to the privileged double aspects of the kingdom of the two Sicilies both on the Adriatic

and Tyrrhenian Sea, the Naples branch could assure that news from Black Sea and Aegean would be speedy dispatched, in advance of normal methods, to London or Marseille. Any event or rumour that might affect international financial markets or family business in general was promptly communicated to the other family branches by the means of the efficient basic network of couriers which served as a system of infrastructure. It is very frequent, within the daily correspondence between the Rothschild House of Naples and the other family branches, to find information about the hot political situation of Turkey, or about the danger of Spanish Pirates incursions in Mediterranean, or about trade and bullion needs in Malta or Barbary, and so on.²⁴ Furthermore, with regard to the long distance trade flows, the kingdom of Naples was connected to the concept of transit. Especially the port of Naples had the fundamental role of transit port, allowing ships from major European ports to break the sea routes toward South Mediterranean and North Africa. The presence of Karl Rothschild in Naples allowed to provide for a direct supervision of moneys and goods shipping which his brothers sent from London to Malta or Greece, and from Marseille to North Africa. The Mediterranean was regarded as a strategic area also with respect to Rothschilds' monetary business and with regard to their fundamental specialization as issue houses in the light of the financial needs of both sub-national states and emerging national states in that area, among which, Italian States and Greece.²⁵ The peripheral kingdom of the two Sicilies was caught into the family's financial network and became the strategic headquarter to control a wider area. The fifth Rothschild house can be considered an essential branch which managed and controlled trade and monetary flows (bullion and/or coins, Spanish dollars above all; bills of exchange) between the leading European financial places and Southern Mediterranean and Near East countries. This was in order to allow the adjustment mechanisms operate at a higher level and so



Sovereign communication of Karl Rothschild appointment as the king's banker

ensure stability between the different monetary areas (gold standard, silver monometallism and bimetalism) and hold a constant and geographi-

cally flexible balance in profitability conditions for the family wide-ranging business.

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Endnotes

¹ We refer to the substantial literature about the Rothschild family. For all: Gille (1965, 1967), Bouvier (1967), Corti (1928), Ferguson (1998).

² Bianchini (1859), Romeo (1963), Demarco (1963), Cingari (1976), Ostuni (1992).

³ Giuffrida (1968); Felisini (1990); Barbagallo (2001).

⁴ Rovinello (2005)

⁵ Gille (1965), tome I, p. 22

⁶ Is worth noting that only generic inventories are available with regard to the above mentioned archival materials so that research is proceeding by testing the whole documental series.

⁷ The documents are stretched over a number of archival funds: Ministry of finances, Royal Mint, Ministry of Foreign affairs (which was seriously damaged during the 2nd W.W.), General Treasury, Great Book, Mercantile Court, Royal House (these documents have been used by Italian historians and by Bertrand Gille as well).

⁸ ASBN, Patrimonialedel Banco delle Due Sicilie – Various business; Banco delle Due Sicilie – Cassa di San Giacomo, Series of deposit accounts.

⁹ The first headquarter of Karl Rothschild business in Naples was located at Calata Ponti Rossi road, where he had rented a building immediately after his arrive in Naples. (ASBN, Banco delle Due Sicilie – Cassa di San Giacomo, Fede di credito, 23 January 1822.

¹⁰ His 1st agent, in 1821, was J.P. Fresenius from Frankfurt and then, from 1824, arrived in Naples C.F.C.Haller, from Stuttgart, C. Renevier, from Geneva, S. Hanau, C. Fisher, and M. Audrà, from Paris (ASNB, Various business, b. 240).

¹¹ ASN, General Treasury, 10.275

¹² The centres were Frankfurt on Main, Antwerp, Basel and Geneva. The same proposal presented by local bankers had been rejected in 1819. See Schisani, (2002).

¹³ ASN, Ministry of Finances, b. 10.199

¹⁴ In this decade the headquarter of the House of Naples had moved from Ponti Rossi to the more prestigious Neapolitan quarter of Chiaia, in Largo Ferrantina (after a short period in Cappella Vecchia road). (ASBN, Patrimonialedel Banco delle Due Sicilie – Various business, b. 282)

¹⁵ ASN, Ministry of Foreign Affairs, Pandette Regi Consolati – years 1830-33, n. 7.723. The office was then inherited by his son Adolphe.

¹⁶ ASN, Royal Mint, various boxes.

¹⁷ ASN, Ministry of Finances, Pandette, years 1834-37.

¹⁸ ASN, Mercantile Court, b. 1.884. The “mercantile firm” was located in a building adjoining to the family dwelling house, which had been definitely established, since 1841, in one of the most prestigious Neapolitan location: Palazzo Acton at the Riviera di Chiaia (Rothschild Archive, London, K.M. Rothschild’s will).

¹⁹ Some archival traces have been found at the ASBN which refer to the deposit accounts of the Rothschild mercantile firm in Gallipoli.

²⁰ ASN, Ministry of Finances, Pandette, years 1842-45.

²¹ After the revolt in 1848 Sicily (Reali domini al di là del Faro) had obtained the legal and administrative separation from the Neapolitan government.

²² The Bank of two Sicilies only issued the so called fed

di credito which were deposit certificates.

²³ ASN, Ministry of Finances, 10.199

²⁴ Rothschild Archive of London, XI 84 1A; XI 84 1B.

²⁵ The House of Naples controlled and operated in public debts of various Italian States: the Dukedom of Parma (1829); the Papal States (1831-38); the Grand Duchy of Tuscany (failed negotiations in 1847); Sicily (1850-55) and paid great attention to the political situation between Turkey and Greece.

Researching the Early History of Savings Banks in New York and in Ireland

My research on the history of savings banks began serendipitously. In the spring of 1995 I held a visiting position in Ireland House at New York University. There I met Marion Casey, then a graduate student at NYU and an expert on the history of the New York Irish, who had just rescued archives belonging to the Emigrant Industrial Savings Bank (EISB), one of the city's best-known financial institutions, and deposited them in the New York Public Library.

The EISB—which became the Emigrant Savings Bank in 1967 and has long been known colloquially as ‘the Emigrant’—has had a distinguished and occasionally checkered history in the Big Apple. It was founded in the spring of 1850 by Irish-born philanthropists as an offshoot of the Irish Emigrant Society. The new savings bank, one of several to be founded in the city around this time, targeted primarily immigrants from the Emerald Isle. Its early clientele was overwhelmingly Irish.

The bank's ‘Test Books’ included the names and many details about each account-holder, such as place of birth down to parish or townland level, the names of spouse, parents, and other family members, address and occupation in New York, date of arrival in the United States and, in many cases, even the ship on which the account-holder traveled. For example, Bridget White, the EISB's first depositor, was the wife of a tailor living on Henry Street in the city's Seventh Ward. Born near the town of Mountmellick in the Irish midlands she had travelled from Liverpool to New York nine years earlier on the Fairfield. Such information make the Test Books one of the richest sources on the nineteenth-century Irish diaspora, and a boon to those interested in genealogical research. The rescued records also included volumes describing the entire account histories—from initial deposit until the account was closed—of all those who opened accounts in the EISB in the 1850s. Unfortunately, those



for later years have been lost.

The Emigrant material added a new dimension to the study of the antebellum New York Irish (see [6] and [7] below). During the late 1840s and 1850s the Irish potato famine caused hundreds of thousands of mainly rural Irishmen and Irishwomen to emigrate to the New World. Many of the emigrants landed and settled in New York. Of particular interest to me was the Irish presence in the city's Sixth Ward, an impoverished and notoriously tough part of lower Manhattan. The EISB records revealed much about the Sixth Ward Irish. Hardly surprisingly, account holders living there were more likely to be white collar workers and small-time businessmen than Sixth Ward residents in general. Yet the Test Books show that most savers were nonetheless unskilled workers or petty traders. They included 89 labourers, 36 domestic servants, 24 washerwomen, 19 porters, 13 fruit-sellers, 18 tailors, and 9 junk dealers. Martin Hogan from Limerick described himself as a ‘fireman in Sweeney's saloon’, while John O'Donoghue from County Longford was a ‘barkeeper at John Dempseys’. John Shea of Tuosist in Kerry distributed handbills, Jeremiah Daly of the same place sold matches, and Bridget Daly of Ahamlish in Sligo ‘picked hair’ [6: 120]. The early history of the Emigrant, combined with other data, testified to the adaptability and resilience of the emigrant Irish—even the very poorest among them—and their eagerness to improve their lot. It also suggested that the emigrant was fulfilling the role envisaged by its creators.

The data also facilitated a study of the savings patterns of poorer Americans, along the lines of earlier studies of the Baltimore Bank for Savings by Peter Payne and Lance Davis, and of the Philadelphia Savings Bank by George Alter, Claudia Goldin, and Elyse Rotella (see [10] and [11]). Our analysis of EISB savers in the 1850s showed that, while semi-skilled and clerical workers and the middle classes were overrepresented among the depositors, people with proletarian, blue-collar occupations, both male and female, were also very much to the fore. One in four of the first two hundred or so males to declare an occupation were in unskilled labouring jobs requiring little or no literacy. Among women the proportion in menial jobs was greater.

By 1860 the EISB had ten thousand depositors, mostly Irish-born, or about one-in-twenty of the Irish-born population of New York and Brooklyn, and obviously a much higher proportion of those in the age-groups likely to produce most savers. Presumably some Irish-born savers had accounts in other New York savings banks. Most Emigrant accounts began with relatively large deposits, but with women depositing less than men; most were held for only a year or two, and most held less at the close than at the

outset, implying that the bank was not used as a vehicle for accumulation (see [1], [7], [5]). Research into the EISB uncovered a significant stratum of New York's Irish, who although poor, had accumulated significant sums even before becoming account-holders, and who were quite willing to deposit it in a financial institution, the likes of which would have been unknown to most of them in Ireland.

The EISB was the subject of two panics in the 1850s. The first, in 1854, was prompted by the failure of the corruptly-run Knickerbocker Savings Bank and was confined to the savings bank sector. The second was a far more serious crisis, with global ramifications. [2], co-authored with Morgan Kelly (UCD), and and [4], co-authored with Eugene White (Rutgers), exploit the riches of the EISB data in the 1850s to throw some light on the important question 'Who panics during panics?' Both papers rely on databases that combine information on 1854 and 1857 in the Test Books and deposit books. It should be noted that neither panic was characterized by an immediate mass exodus of account-holders; indeed, some savers reacted by merely hedging, i.e. by withdrawing some of their savings, but keeping their accounts open.



Market Day in Thurles, August, 1848

Kelly and Ó Gráda [2] used the EISB data to test a model of financial contagion where individuals—here represented by account-holders—hear some bad news and pass it on to their acquaintances, who pass it on to others in turn, leading to a market panic. The EISB records provided the data necessary to shed some light on the information networks of market participants. For simplicity the study distinguished between the minority who ‘panicked’ and closed their accounts, and the majority who did not. It found that those who panicked were systematically different. It argued that, as recent immigrants, the social networks of EISB account-holders were largely determined by their place of origin in Ireland, and where they lived in New York. And, indeed, the networks produced by county of origin and New York address turned out to have been the prime determinant of their behaviour during both panics.

Ó Gráda and White [4] highlight the difference between the two panics, seeing the first as caused by less sophisticated ‘outsiders’, and the second led by more rational and more savvy ‘insiders’. Social networking was a key factor in the purely local panic of 1854, which did not force a temporary shut-down of all savings banks as happened in 1857. The 1857 panic was global; it began with runs by businessmen and banking sophisticates, who were soon followed, however, by less well-informed depositors. Eugene White and I argue that this panic was driven by informational shocks in the face of asymmetric information about the true condition of bank portfolios. Thus depositors with professional occupations, those who were not Irish, and those among the Irish who were longest in the U.S. were more likely to panic in 1857, and less likely to panic in 1854. Again, in 1857, those with a high number of transactions were more likely to panic, although this declined during the panic, suggesting that the more sophisticated led the pack.

Research on the Emigrant Savings Bank spawned an interest in the history of savings banks in Ireland. Although a handful of studies of individual Irish savings banks existed—notably Tyrrell’s study of the Belfast Savings Bank [17] and James O’Shea’s study of the Thurles Savings Bank [15]—nobody had written about the system in Ireland in general. In [3], [5], and [8] I addressed different aspects of the early history of Irish savings banks.

The founders of the savings banks movement, both in the United States and the United Kingdom, aimed to offer their humble prospective clients three things: a relatively attractive return on their savings, considerable liquidity, and security. Their goal was to encourage the saving habit as insurance against destitution in old age. So attractive, however, was the rate of interest payable to depositors in the early decades that many people who were far from poor sought to benefit. ‘Savings banks as an institutional import’ [3] reviews the early history of savings banks in Ireland. Combining sectoral data and an archive-based study of one savings bank, it describes the growth and performance of this imported institution. Ireland’s first savings bank was founded in 1817; their number grew rapidly until about 1830, slowly thereafter. Official sources contain a great deal of statistical information about Irish savings banks in general, while the generosity of local historian James O’Shea facilitated a more detailed microstudy of savings patterns in one Irish provincial town. O’Shea’s own fine study of the Thurles Savings Bank, following his discovery of its archives, informed my



own later work. The period between the 1810s and the Great Famine (1846-50) witnessed both the rapid development of Ireland's savings bank network and a series of collapses that would almost bring the network to its knees.

Thurles Savings Bank was founded in 1829 and remained in business until 1871. Relative to the EISB it was a minnow; it relied mainly on voluntary staff, and operated on a strictly part-time basis, being open for deposits only between 1 and 2 p.m. on Mondays. Analysis of savers' occupational profiles shows that, by and large, both in Ireland as a whole and in Thurles savings banks catered disproportionately for the lower-middle and middle classes, rather the industrious poor as intended by the founders of the movement. In Thurles, unskilled labourers (males, typically employed on a daily or weekly basis in pre-famine Ireland) and servants (mostly female, and likely to be employed for months at a time), were underrepresented. Labourers accounted for half the labour force on the eve of the Great Famine, but for only one saver in fifty. In effect the Thurles bank was a bank for farmers and their families. More than one account holder in four was described as a farmer

or a member of a farming family, and it is clear from the ledgers that a significant number of those described merely as 'minors', 'spinsters', 'widows', and 'married women' were also from farming families. These categories were to the fore throughout the bank's history. Savers opening their accounts with a deposit of less than £2 included three labourers, thirty-eight servants, seven bakers, and two farmers. Savers opening with an even £30 included seven labourers, eight servants, one baker, 311 farmers, and 296 other members identified as belonging to farming households.

The low average opening balances of domestic servants and unskilled labourers are expected, those of tailors and bakers perhaps less so. At the other end of the spectrum were landowners and gentlemen, the groups with the highest average maximum balance. The closeness of opening, closing, and maximum balances for farmers, farmers' wives, and farmers' children suggest that farmers used the accounts of family members to extract maximum benefit from the bank. A curious feature of the evidence from Thurles is that more than one lodgment in three was for exactly the maximum permitted sum of £30. Many of these were in the names of children, so quite plainly children's accounts were used to overcome the regulation that no single account be augmented by more than £30 in a single year.

In general, the picture in Thurles and elsewhere in Ireland is of rather inactive accounts, with an average of just a few transactions a year, and the number of deposits exceeding withdrawals. In the pre-famine period, when Thurles Savings Bank was most active, the average closing balance exceeded the average opening balance in all occupational categories. This suggests that the bank was used as a vehicle for accumulation. The average account was held for about four years, with little variation here across occupations or parishes. However, it was not unknown for account-holders to close their accounts and re-open another later. The



significant proportion of accounts in the names of children (11 per cent) and juveniles (12 per cent) again suggests that these were used to circumvent the rules.

Our findings thus mirror the more iconoclastic findings of historians Albert Fishlow and Neil Smelser regarding early English savings banks. Indeed, the profile of savers in Ireland was even more skewed towards the better-off than in England and, particularly, in Scotland, where the banks came closest to meeting the early hopes of the founders of the savings bank movement (compare [12]).

In [3] and [5] I analyze the impact of runs on savings banks in 1848 and 1856 on the fortunes of the Thurles Savings Bank. In April 1848 the nearly simultaneous but unrelated failures of three Irish savings banks—two in County Kerry, one in Dublin—resulted in a run on the remaining banks from which they would never quite recover. The Thurles bank—and other savings banks in nearby towns—were subject to a second panic less than a decade later, when the Tipperary Joint Stock Bank collapsed. The Tipperary Joint Stock Bank, established in 1840, had been run by John Sadleir, a controversial figure in Irish politics and public life, and his brother James [16]. They used its deposits to finance a variety of their own dodgy investments, and were found out in early 1856. John Sadleir's suicide on Hampstead Heath on the night of 16–17 February 1856 was prompted by the refusal of both Messrs. Glynn in London and the Bank of Ireland in Dublin to cash any further drafts on the Tipperary Bank, and by the imminent disclosure of Sadleir's role in various embezzlement schemes. In the following days the inquest into Sadleir's death and revelations about his various scams figured prominently in the British and Irish press. Again I was interested in whether there were any discernible differences between savers driven to close their accounts in Thurles Savings Bank in the wake of the failure of the Tipperary Bank and those who closed their accounts in 'normal' times.

Both average opening and closing balances were higher during the panics than before them; farmers, members of farming families, and labourers were much more prominent among closers in 1856 than either before or after; and those who withdrew during the panic were much more likely to be people with the same surname as other closers. This is consistent with the suggestion that family networks were an influence on the decision to close an account. Policemen, landowners, professional people, and the gentry were less inclined to panic.

The collapse of the Tipperary Bank was unfortunate for the Thurles Savings Bank in another respect: it held a balance of several hundred pounds with Sadleir's bank when it folded. To make matters worse, under the rules governing savings banks, that balance should have been deposited with the National Debt Office. The failure of the Tipperary Bank forced economy measures on the trustees such as reducing the actuary's salary by £10 and cutting the interest payable on deposits to 2.5 per cent. Had the whereabouts of the bank's deposit been more widely known, the 1856 run would have been more serious.

My research on the early history of Irish savings banks sought to make two broad points. First, this is the story of an institutional innovation that, contrary to the intentions of its originators and supporters, and to an even greater extent than in Great Britain, benefited disproportionately the relatively better off. While the banks undoubtedly helped many people of modest means, the lion's share of the gains went to a minority of relatively comfortable account-holders, attracted by the generous interest rates on offer. For such savers, the savings banks represented a lucrative and seemingly secure alternative to commercial banks. The paradox is that in Ireland, where the unskilled and unlettered poor needed an institution such as the savings banks most, they benefited least from them.

Secondly, had other events not intervened, the socioeconomic profile of account-holders would

probably have shielded the savings banks from the worst effects of the Irish potato famine. Households headed by farmers and policemen, artisans and tradesmen—representative savings banks account-holders—suffered too, but were much less at risk of bankruptcy or destitution than those of, say, landless and semi-landless labourers or fishermen [6]. So, surprisingly perhaps, the worst crisis ever to affect Irish savings banks was provoked less by the economic woes of account-holders than by the independent but near-simultaneous failures of three poorly-run

savings banks in 1848. Nonetheless, the Irish economy's relative backwardness may partly explain the savings banks' vulnerability to poor management and embezzlement, and why these failures would prove so damaging for the entire Irish savings bank system. In the following decades, alas, the savings banks would not solve Ireland's old age social security problem; public action in the form of the means-tested old age pension would be much more effective in that respect [9].

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History Project of State Bank of India: An Overview



State Bank of India (SBI), India's premier commercial bank and the country's oldest, is today the only Indian bank among the world's top 100 banks in terms of Tier-1 capital and also the only Indian bank among Fortune's 500 global companies. With a staggering 10,800 plus domestic offices spread across the country, SBI is also the largest bank in the world in branch network. Together with its seven associate banks, the State Bank Group today has in all 15,732 offices and 84 overseas offices in 32 countries covering all time zones and operating uniformly on a core banking platform. SBI literally straddles the banking industry of India in such a manner that it is often regarded as a proxy for the Indian economy.

When the Bank was born more than 202 years ago joint-stock banking with limited liability was however unknown in British India. As a semi-government bank backed by a Parliamentary charter, the setting up of the earliest progenitor of SBI, the Bank of Bengal (barring the couple of years of its infancy as the Bank of Calcutta), marked the advent of modern banking in India. With the primary intent of imparting stability to the money market, the Bank from its inception mobilized funds for supporting both the public credit of the East India Company's Government in British India and the private credit of the European mercantile community. From about the 1860s, when the Indian economy took a significant leap forward under the impulse of quickened world communications and ingenious methods of industrial and agricultural production, the Bank of Bengal together with its two siblings created later – the Bank of Bombay and the Bank of Madras – became intimately involved in the financing of practically all trading, manufacturing and mining activities of the subcontinent. And till the creation of a central bank in the country in 1935, the Bank first as Presidency Banks and then in its reincarnated role as the Imperial Bank of India, an all India Bank created by the merger of the three Presidency



Banks, carried out several central banking functions. Eight years after Independence, the Government of India nationalized the Imperial Bank of India, then the premier commercial bank of the country, to create the State Bank of India as its main banking arm for the development of the rural economy. It was from then that the Bank took up developmental activities – opening branches in unbanked and remote areas of the country, financing small-scale industries, small business and agriculture and promoting exports - on a scale never attempted before. The Bank continued to remain the flagship of Indian banking being in the forefront in all areas of banking – traditional, developmental and innovative.

As a Bank which has played a key role in the economic and social life of the country for more than two centuries, it was only appropriate for the State Bank of India to launch a project for writing its own history. Aimed at producing more than a mere chronicle of events which by itself would have been a staggering exercise given the Bank's sub continental spread even from the early days, the task was principally undertaken

to meet a long-felt need for a history that would provide not only a comprehensive picture of the development of banking in India but also that of the country's economic development as a whole since the beginning of the nineteenth century.

In 1975, the Bank commissioned Professor Amiya Kumar Bagchi, the renowned economic historian, to write the history of the Bank since its inception in 1806 till its nationalization in 1955. Resources essential for an assignment of this nature were placed at his disposal. History Cells were set up in Kolkata, Mumbai, New Delhi and Chennai manned by young and energetic officers of the Bank to render research assistance. They not only retrieved and studied enormous amount of Bank's records like minute books, correspondence registers, annual reports, inspection reports, opinion reports, etc. scattered across the country but also collated background materials from the National Archives of India, principal state archives, public libraries, chambers of commerce etc. of the country. Research assistants were also engaged in London to consult files and papers of the Presidency Banks



and the Imperial Bank at the India Office Library and Records.

After about a decade of intensive research on the rich archival materials of the Bank the first volume of SBI's history written by Professor Bagchi was published. Two more books were also authored by him later. The publications were The Evolution of the State Bank of India : The Roots, 1806-1876 (in two parts) (OUP, Mumbai, 1987, reprinted New Delhi, Penguin, 2006); The Presidency Banks and the Indian Economy, 1876-1914 (OUP, Kolkata, 1989) and The Evolution of the State Bank of India, Vol. 2, The Era of the Presidency Banks, 1876-1920 (Sage, New Delhi, 1997).

The books received accolades particularly in academic circles in India and abroad as pioneering works in a hitherto inadequately charted field. The first volume was hailed as 'the finest book on Indian economic history (not simply the history of a bank)'. The Indian History Congress conferred the coveted Professor H.K. Borpujari Award on Professor Bagchi in 1999 for the second volume.

The third and final volume of the Project covering the era of the Imperial Bank was completed in-house after Professor Bagchi left the Project in 1999. The volume titled The Evolution of the State Bank of India, Vol. 3, The Era of the Imperial Bank of India, 1921-55 was published in 2003 by Sage Publications India Pvt. Ltd.

Soon after this the Bank decided to launch a second history project for writing the history since 1955 and entrusted the task once again to the in-house team. The book has just been completed and covers the first 25 years of the era of the State Bank of India (1955-1980). These were eventful years when the Bank began to align its activities with national objectives and blend its business goals with social obligations. The book to be published by Penguin Books India Pvt. Ltd. is expected to appear in print in 2009.

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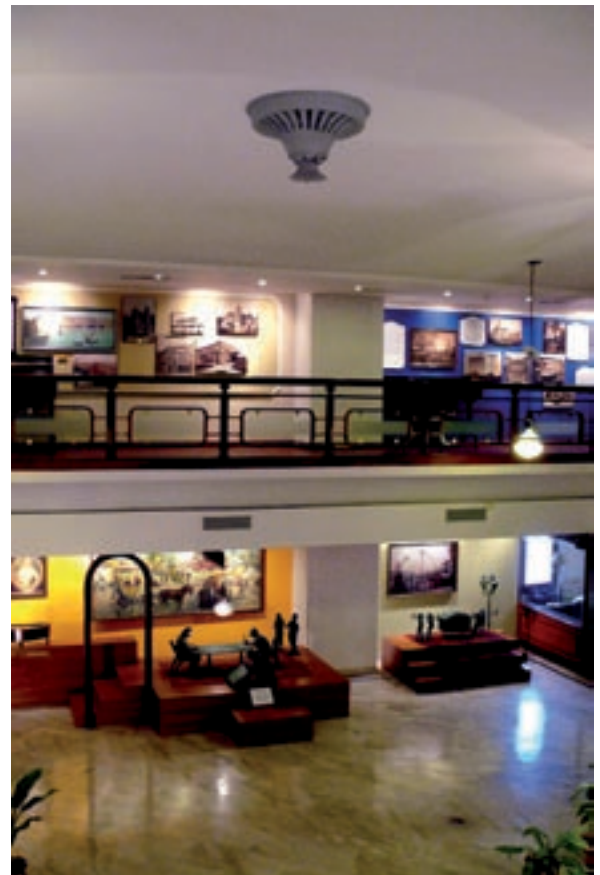


New research

In course of writing the monumental history of the evolution of the State Bank of India, a wealth of historical materials, unknown and inaccessible to scholars before, have been unearthed. As a step towards retrieving part of the common national heritage and in keeping with its long tradition of service, the State Bank of India thus set up in May 1977 an Archives and Museum in Kolkata, the first by an Indian commercial bank, for the benefit of scholarship and research. Elegantly spread across two floors and covering 7,700 sq. ft. (see pictures), the Museum section captures the rich history of SBI over two centuries through a rare and tasteful display of original documents.

The Archives is open to research scholars twice a week (Mondays and Fridays) and accessible with prior appointment.

For details please contact
Senior Archivist-cum-Curator,
State Bank Archives and Museum,
State Bank of India,
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Ideological and Artistic Aspects of Romanian Banknote Iconography during the Communist Regime (1947-1989)

Introduction

It is commonly accepted that banknote iconography is a vehicle to express both the elements of economic power, ensuring confidence in domestic financial institutions, and nationalism in a variety of forms (an appeal to a past history, to historical figures or cultural representatives, important monuments of architecture, etc.). Often they are so explicit that they become a veritable propaganda handbook. The radical and dramatic transformations of the Romanian society post 1945 as a result of the imposition of the Soviet army as the new political regime are well documented by new issues of money and, particularly, the banknote iconography. Following the general trend of the period in Eastern Europe, on 30th December 1947, with the abolishment of the monarchy, communists finally took political power in Romania and the Romanian culture began a new journey as an affiliated country of the Soviet bloc. In 1949, Mihail Roller, one of the most important ideologues of the moment, defined the three principles of the new socialist culture: 1. exploiting critical cultural heritage of the past based on the Marxist-Leninist doctrine;



Worker portrait on 10 lei 1952 banknote obverse

2. reorganization of public education to form a new intelligentsia, 3. educating the masses to work in the communist spirit and removing the remains of capitalist consciousness in the people (Roller 1949, p. 5-6).

In the evolution of banknote iconography we can



Countrywoman on 20 lei 1952 obverse (GOZNAK)



Countrywoman on 20 lei 1950 obverse (Zainea)



The Republic of Workers, Peasants and Intellectuals on 100 lei 1947 obverse

define the characteristics of the three periods of the Communist era in Romania which are in turn closely related to political developments: 1945 to 1946 (the period of cohabitation of communist and democratic parties), 1947 to 1952 (the conquest of power by the communists and the maximum punishment against the anticommunist groups), and finally 1966 (the last communist issue, corresponding to the early governance of Nicolae Ceaușescu and the consolidation of the regime).

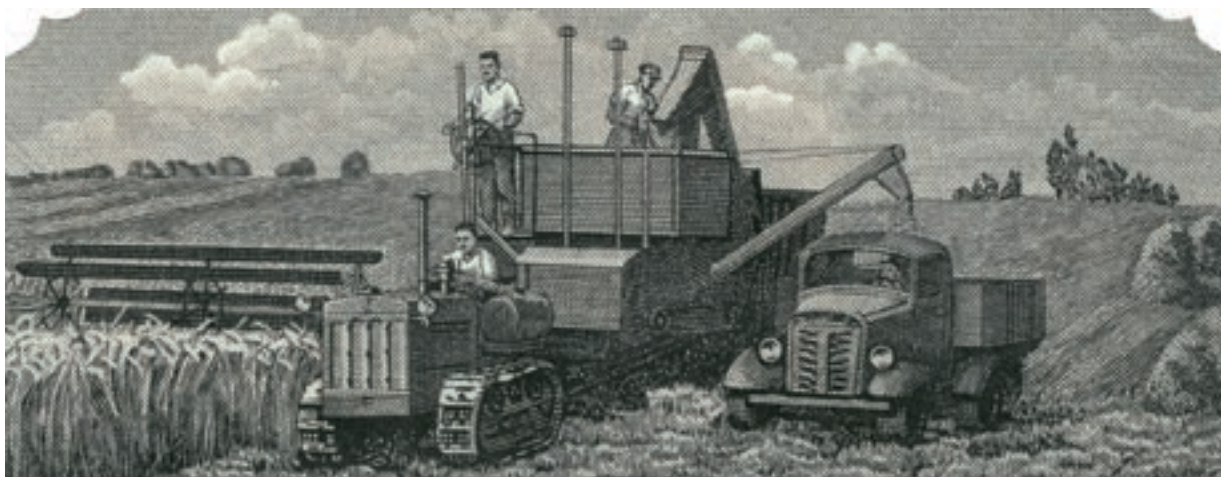
Iconographic peculiarities

Before Romania became part of a communist regime, Romanian banknote iconography was strongly influenced by the French school, insisting on representations of allegories of different divisions of the national economy. While the money printed immediately after the end of the

WWII continued to display the interwar symbols (such as the Romanian Monarchy, the Latinity of Romanian people, allegories of industry and agriculture), the issue of 25th June, 1947 anticipated the change of vision for the iconographic message, which until then had reflected the popular democracy. These changes show the gradual insertion of Communists in all areas of public and economic life and, in particular, the nationalization of the National Bank of Romania on 25th December 1946. The country's coat of arms symbolizing the monarchy continued to appear only on the 1000 lei banknote. Furthermore, the Latinity of the Romanian people was no longer referred to. In fact, references to Latinity, so frequently used in Romanian banknote iconography before 1945, appear only up to the fall of the monarchy in 1947, after which any reference to this subject disappears. The main



Scytheman on 25 iunie 1947 banknote reverse



The Mechanization of agriculture 25 lei 1952 reverse (GOZNAK)

topic used in the early period of communist regime was that of the victory of communism, focusing particularly on “the brotherhood of all the social categories”. Particularly significant in this respect is the picture from the obverse of the 1947 100 lei type IV banknote, upon which three layers of the standard group of “workers social categories” appear: first the industrial worker is represented as “the leader of the revolutionary fight”, next appears the peasant (as the “brother” of the revolutionary leader), and finally the intellectual appears in the background (usually neglected in the time’s iconography). This image was completed using industrial or agricultural scenes, dominated by machinery, unlike the

interwar period when the main characters used were the farmers.

It is precisely thus, as a stage for the socialist construction, that the new iconography reaches its apex. *Art is the socialist realism impregnated with optimism.* - wrote V. M. Zimenko in 1960 in a collection of studies by soviet Marxist-Leninist aesthetics translated into Romanian - *It is the art of the new world to look ahead in the future without fear, convinced of communist triumph, living in the enthusiastic atmosphere of a great building ground, of nature’s and man’s transformation.* (Zimenko 1962, p. 201) In another place, the same Zimenko wrote: *It is important to underline the importance of truthful painting of am-*



Industrial landscape on 500 lei 15 oct 1949 reverse

Nicolae Balcescu painted by Gheorghe Tattarescu in 1851



bience and the process of labor itself, although of course a work of art should not turn into a textbook of technology. Subject labor requires preferably a thematic picture; it requires a live expository action, rendered with great makeup artistry. (Zimenko 1962, p. 193) Most of the portraiture and scenes depicted on the banknotes from the period 1947-1952 faithfully follow the soviet canon of socialist realism. Portraits of workers and peasants which appear on the obverse are usually complemented by scenes reflecting both the socialist construction and the emblem of the popular republic on the reverse. There is a connection between the social class represented on the obverse and the type of economic activity figured on the reverse. The emblem of the country is strongly highlighted using over-dimensions and central positioning, which expresses, in a manner unprecedented in the Romanian banknote iconography, the role the state has to play in the new society. Gone now are the allegories of industry, agriculture and domestic activities that featured in the previous “bourgeois” representations before the arrival of communism. These are replaced with accurate representations of the construction of a communist society: powerful machines, the mechanization of agriculture, huge industrial complexes. In this scene the determination of men’s work and the “re-creation” of Romanian society are depicted.

The particular significance of the representation of the Danube-Black Sea Canal on the obverse of the 1952 10 lei banknote comes to life when considering the historical context (see the official description of 1952 issue in “Scântea” 21, 2257, 28 ian. 1952, p. 5). Circumventing the Danube Delta, this canal shortened the route on the Danube to the ports on the Romanian



Nicolae Balcescu on 100 lei 1966 banknote obverse



Nicolae Balcescu on 1 000 lei 1950 obverse,



The Printing House (Casa Scanteii) on 100 lei 1952 reverse

Black Sea. The official propaganda described this project as an enthusiastic project of Romanian workers for the construction of socialism (see e.g. Bobocel, Vatra and Prodan 1950). In reality, alongside this “school” that educated the „constructors of socialism”, the site was one of the most aggressive extermination camps of the communist regime for Romanian anticommunists and political and industrial bourgeoisie (Bădescu & Dungaciu 1994; Cheramidoglu 1995, 1996, 1996a, 1998).

The progressive conquest of power by the communists during 1945-1947 is reflected well by changes in banknote iconography. As we saw above, the French School of banknote is gradu-

ally substituted by the Soviet model, adapted to the Romanian historical traditions. These changes were noticeable from 1945 onwards on the issue of the 100 lei banknotes 1000 type I (1945-1947), in the representations of peasants in relation to the original Clément Serveau designs of the 1930s. The artist Zainea replaces these with rigid representations which lack the monumentality of the individual peasant interwar period. It is true that the influence of communist ideology is difficult to decipher in the work in 1945 because at this time there remained a faithfulness in the representations towards social moralizing of current aesthetic issues, without being, however, close to the socialist realism ide-



The Palace of Culture in Jassy on 50 lei 1966 banknote reverse

ology promoted by the leftists (Șușară 2008). The nationalization of NBR on 25th December 1946 led to major changes in iconography. As we have just seen, the phenomenon was not sudden: issues in the first half of 1947 kept some traditional elements such as Capitoline Wolf, impressionistic watercolors of the peasants of Nicolae Grigorescu, or countrywoman interpreted by the French designs of the interwar period. The monetary reform of 25th June 1947 brought radical change: now we see the first mix of socialist realism and an appeal to the Romanian revolution of the XIX century. Symptomatic of this is the disappearance of the Royal Coat of Arms on all notes of issue of 25th June 1947, except for 1000 lei.

The research of Zbyšek Šustek in the archives of the Moskow Printing Factory (GOZNAK) shows that the 26th January 1952 issue of banknotes was designed in Moscow in accord with the SB-BPRR governor. Documents published by Zbyšek Šustek show that the BPRR-SB governor actually influenced the design of portraits (see the handwritten notes from the edge outlines sent by Soviet designers in Bucharest). The portraits (workers, countrywoman and historical characters) designed in the GOZNAK atelier for those banknotes printed between 1947-50 are entirely the work of Stephen Zainea. However the Slovak researcher also shows that the images on the reverse (industrial scenes, the mechanization of agriculture) are entirely the work of soviet designers and that there is no correlation between the images on front and on reverse. He notes a high degree of autonomy not encountered in other Eastern European banknote programs carried out in GOZNAK at this time (Šustek 2003-2005; Šustek 2007). We believe that the lack of interference of the Soviet designers on thematic aspects of the 26th January 1952 banknotes issue is explained by the canonicity of Romanian prototypes. Undoubtedly, it was not unusual for the reverse to be designed by Soviet artists, because, beyond the general themes of socialist realism (as the mechanization of agri-

culture), the Printing House „Casa Scânteii” or Danube-Black Sea Canal were specific subjects for the construction of Romanian communism. On the other hand, historical character portraiture on communist banknotes is exempt from the canons of socialist realism and instead takes models from romantic painting of the XIX century (see Tudor Vladimirescu painted by Theodor Aman in 1874-1876 and Nicolae Bălcescu painted by Gheorghe Tattarescu in 1851). This different manner of representation appears during the entire communist period of Romanian banknotes and reflects the national pattern of Romanian communists.

Design and communist ideology

The appeal to Romanian historical characters was needed in the new ideological dimension that the communist regime gave to the revolutions of 1821 and 1848. Since 1945, the preamble to the Romanian Communist Party's statutes indicates that “RCP retains and continues the best traditions of fighting for freedom, national independence and land led by Gheorghe Doja, Horia, Cloșca, Crisan, Tudor Vladimirescu and Nicolae Bălcescu” (Statutul PCR 1945, p. 5). Stirring modifications of a series of significant events within a c. 300 year period feature in the interpretation of Romanian history offered by the communist regime such as the rebellion led by Gheorghe Doja in Transylvania and Hungary



The Danube Black Sea Canal 10 lei 1952 banknote reverse



Tudor Vladimirescu on 1000 lei 1947 obverse

(1514), the uprising led by Horea, and Cloșca and Crișan in Transylvania (1784), the 1821 Revolution led by Tudor Vladimirescu and the 1848 Revolution in Wallachia as moments of a unique revolutionary process that culminated in the creation of the Romanian Communist Party (1924) which came to power after WWII (Roller 1947; Descompunerea feudalismului). In this context, the 1784 rebellion is presented as a precursor of the 1789 French Revolution (Pascu 1957, p. 56-58), Tudor Vladimirescu is regarded as the leader of the first generation of revolutionary Romanians of the XIX century, and Nicolae Bălcescu as the ideological leader of the 1848 Revolution in Wallachia and representative of the most important revolutionary radicalization (Roller 1948, 1951, p. 132-138 and 144). We don't



Tudor Vladimirescu on 25 lei 1952 obverse (GOZNAK)

Tudor Vladimirescu painted by Theodor Aman in 1874-1876

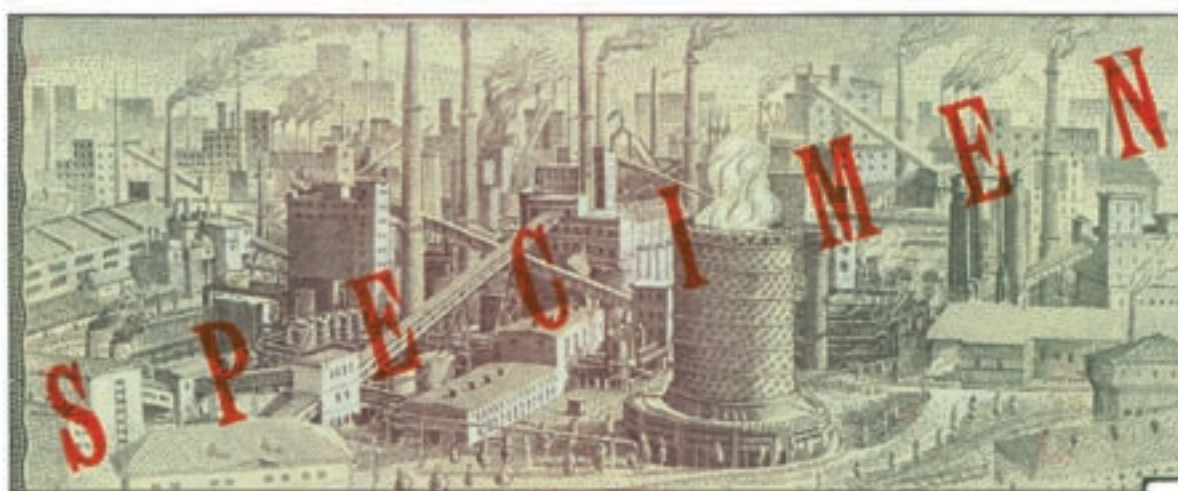


The Romanian Athenee on 100 lei 1966 reverse

agree totally with Zbyšek Šustek's opinion of the affinity of Romanian historical characters with the "progressionist tradition of Romanian modern history" (Šustek 2003-2005, p. 491). Actually the historical characters used by communist propaganda were used for a specific purpose; to create a legitimacy of power (Boia 1997).

The iconography of the last issue of the communist regime, in 1966, reflects the major changes which occurred at these times within official iconography. Essentially the focus shifted from the representation of socialist realism to those of national tradition. Although small banknotes (5,

10 and 25 lei) remained the stage for compositions in the style of socialist realism (topics such as the triumph of industrialization on the reverse of the 5 and 25 lei banknotes and the agricultural mechanization on the reverse of the 10 lei banknotes), they no longer have the same evocative force of those from 1947-1950. We can see on high nominal banknotes (50 and 100 lei) the obliteration of Socialist Realism designs through the depiction on the obverse of Alexandru Ioan Cuza, the first prince of modern Romania, and Nicolae Balcescu, and, respectively on the reverse, the Culture Palace in Iasi and the Roma-



Industrial landscape on 25 lei 1966_reverse

nian Athenée in Bucharest. In this respect the replacement of the Printing House “Casa Scânteii” (a reduced copy of the Moscow Lomonosov University which represented a symbol of Sovietization in Romania) on the 1950 100 lei banknote with the Romanian Athenée (one of the most representative monuments of Bucharest, built at the end of 19th Century in neoclassical style by French architect Albert Galleron) on the 1966 100 lei banknote is significant. We believe that the representation of the Palace of Culture in Jassy on the 1966 50 lei banknote (a neo-gothic monument built at the beginning of the 20th Century) and the Romanian Athenée is the most visible sign of the “nationalization” of Romanian communism, characterized by the recovery of the Romanian cultural past and abandonment of early references to the communist cosmopolitanism. With regards to the portraiture of the 1966 issue, we appreciate that, although official imagery transforms the uncompromising revolutionary fighters into romantic defenders of Romanian national spirit (Drăgușanu 1995, p. 165) (Bălcescu with a very good association with the image of Tudor Vladimirescu), (see Stanomir 2004; 2008), it remains the static vision of the historical heritage of the Romanian Communist Party made in the statute published in 1945 and allows only some ideological impressions, with the primary reference the new image of Romanian national communism (see PCR to the interpretations adopted IX Congress of 1965 and in Barbu & Halip 1967, p. 12-13). Perhaps this explains the addition of Alexandru Ioan Cuza to the gallery of historical characters in the 1966 issue: this single addition creates a symbolic chain offering an explanation of the role as leader of RCP in communist Romania.

Romeo Cirjan
National Bank of Romania



Horea, Cloșca and Crisan on 500 lei_15 oct 1949 banknote obverse

Abbreviations

During the period 1945-1989, the National Bank of Romania changed its name as follows:

NBR – National Bank of Romania (1945-1946)

BPRR-SB – Bank of Popular Republic of Romania – State Bank (1947-1965)

NBSRR – National Bank of Socialist Republic of Romania (1965 -1989)

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The Russian Ruble – Marks in History

The Central Bank of the Russian Federation (Bank of Russia) is planning to celebrate its 150th anniversary in 2010. On 31 May (12 June as of new style) 1860, the Emperor Alexander II signed a decree to establish the State Bank of the Russian Empire aimed at increasing the trade turnover and enhancing the monetary system. Both the State Bank of the USSR and the Central Bank of the Russian Federation, historical successors of the State Bank of the Russian Empire, pursued their primary objectives of economy financing and cash management. Traditionally, the Bank of Russia has carefully preserved the relics of the national banking and cash management history. The Bank of Russia's Museum collection currently comprises about 15 thousand pieces used for arranging permanent exhibitions and displays.

Since 2005, the exhibition entitled “The Russian ruble – marks in history” has been open to the public in the Bank of Russia's main office building (12, Neglinnaya Street, Moscow), constructed in 1894 for the Moscow branch of the State Bank of the Russian Empire. During the Soviet era, the Board of the State Bank of the USSR was located there. Currently, the head office of the Bank of Russia is based in this building. Official delegations and guests of the Bank of Russia visit the exhibition. Excursions are also organized for the Bank of Russia's staff and students of economic and financial universities and institutes, banking schools and colleges. The exhibition displays the originals from the Bank of Russia's museum collection reflecting the history of the Russian monetary system and the Russian ruble as its symbol from ancient times.



The word “ruble” first emerged in the thirteenth century as a silver ingot called a “grivna” (the word “ruble” comes from the Russian verb “ru-bit”, which means “to cut”). The word “kopeck” derived its name from the Russian silver coins produced in the sixteenth century, which had an image of a horseman with a spear symbolizing the grand duke of Moscow. During the reign of Peter I (1682-1725), a monetary reform was introduced and the basic element of the monetary system became the ruble – a silver coin that weighed 28 grams and equaled 100 kopecks. Russia became the first country to have a decimal monetary system, whereas France and the United States did not establish their systems until the end of the eighteenth century.

In 1769, during the reign of Catherine II, banknotes – “assignatsii” (in Latin “assignatio”) – were introduced for the first time in Russia. The uncontrollable printing of banknotes led to their devaluation. This process was also exacerbated by Napoleon who ordered a large amount of forged assignatsii factory-made in Paris and Vienna to be brought to Russia during the Patriotic War of 1812. One of these high-quality

forgeries is displayed in the exhibition. Between the 1830s and 1840s, instead of assignatsii, new banknotes were introduced – government credit notes (“creditnye biletii”) that could be exchanged at the rate of 3.5 rubles for 1 silver ruble.

The Crimean War of 1853-1856 had a negative impact on the currency circulation. In 1858, the Government of Russia stopped the free exchange of credit notes for silver rubles.

By the middle of the 1890s, the conditions for implementing a monetary reform and introducing the gold standard became favourable. At the end of the nineteenth century – beginning of the twentieth century, Russia had the largest amount of gold reserves in the world after the British Empire. The monetary reform was introduced between 1895 and 1897 by Sergey Witte, the Minister of Finance of Russia during the period of 1892-1903. From 1897 to the beginning of the First World War, there was a free exchange of banknotes (“creditnye biletii”) for gold coins at par value; the official exchange rate of the Russian ruble was 0.51 US dollars, 2.67 French francs and 2.16 German marks.



The beginning of the First World War led to the abolishment of the free exchange of banknotes for gold by the State Bank of the Russian Empire and all other central banks of those countries involved in the war. The “gold standard” and its “tsar mintage coins” were a thing of the past. Only banknotes, the real value of which constantly diminished, were in circulation.

Following the February Revolution in 1917, the monetary system crisis in Russia became even worse. By November 1917, as a result of high war expenditures and price increases, the purchasing power of the ruble fell to 6-7 “pre-war kopecks”. The Civil War that broke out after the October Revolution in 1917 divided the country into two camps – the Soviet government (“red government”) and the “white governments”. The “red” printed a slogan on all Soviet banknotes “Proletarians of all countries, unite!”, which was written in seven languages and was evidence of the belief in the victory of world revolution. The “whites” issued their own money on the territory under their control. After the “whites” were defeated their banknotes became worthless and

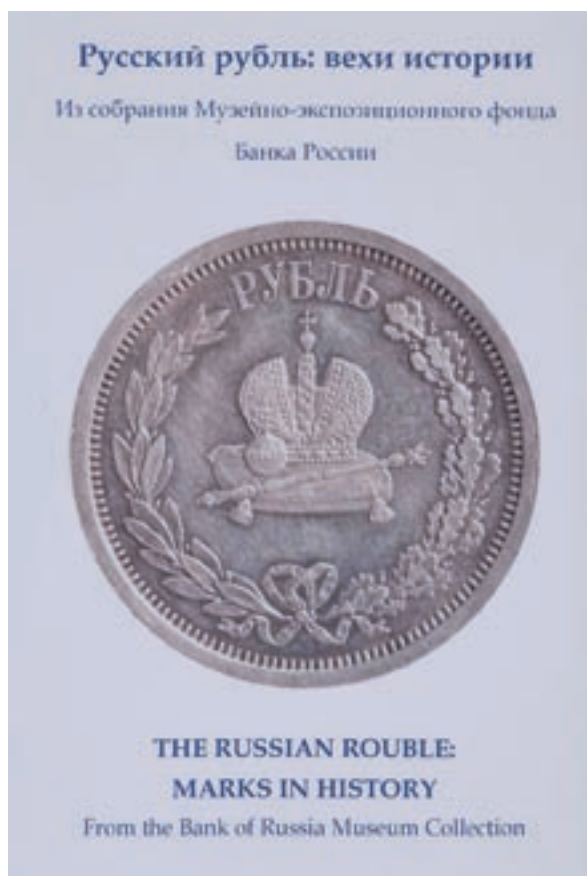
were used, for example, for printing advertisement leaflets (one of these is displayed in the exhibition).

The hyperinflation seen during the Civil War completely depreciated the Soviet currency. Between 1922 and 1924, the USSR introduced a monetary reform putting a new hard currency into circulation – “chervonets” – which could be exchanged for gold. During the 1930s, due to the establishment of the administrative-command system in the USSR, chervonets could no longer be exchanged for gold. In 1937, the portrait of Vladimir Lenin was first printed on chervonets and since that time it appeared on all banknotes until the dissolution of the USSR. The exhibition also displays commemorative coins made of precious metals that were issued by the Bank of Russia and its predecessor – the State Bank of the USSR. The biggest Russian silver coin of 925 purity standard weighs 3 kg. Three kinds of coins were issued in commemoration of the 275th anniversary of the Saint Petersburg Mint, the 300th anniversary of Saint Petersburg, the Kremlin and the Red Square. The number of coins of each kind is about several hundred pieces and every coin has its own number.

The visitors of the exhibition may also see commemorative coins made of gold that were issued by the Bank of Russia. The biggest coins of 999 purity standard weigh 1 kg and 3 kg. The Bank of Russia issued very rare coins made of platinum and palladium that are also displayed in the exhibition. The images on the commemorative coins have a variety of themes. The coins dedicated to the well-known icon painters from the Medieval period in Russia, such as Dionisy, Feofan Grek and Andrey Rublyov, are especially elegant.

The history of the Russian monetary system over the last 150 years is closely connected with the central bank’s activities. As before, the main objective of the Bank of Russia is to ensure the stability of the ruble.

Galina Efremova



Cultural Heritage Protection in National Bank of Serbia Experiences in Digitalization of “Srpske Novine” for the Period 1883 – 1919

The National Bank of Serbia is a central monetary and issuing institution of the Republic of Serbia. Its origins go as far back as 19th Century when a young Serbian state, trying to free itself from the Ottoman domination in addition to other state-forming activities, also started the project of establishing the central national bank. After several years of seeking an appropriate model for the Serbian central bank and reviewing recent European models, the institution started its activities under the name of Privileged National Bank of the Kingdom of Serbia in 1884. Since that time, despite the changes in the form of the state, in territory, social and political regimes and names, it has survived, heir to 125 years of continuity and boasting a rich cultural heritage, documented by an abundance of original archive materials of its many activities. In an effort to approach this wealth of historic sources in a professional and modern manner, the National Bank of Serbia formed a special archives division in 2005, and two years later, in the form of multisectoral and multidisciplinary project, it started the digitalization and application of modern information technologies for cultural and historical purposes. These activities were undertaken in a somewhat unusual manner, especially since this is the central banking institution.

Even though the project was designed, managed and for the most part operationally implemented by the specialized archive division (Archives and Records Management Division), the first corpus of materials to be systematically digitalized was not entirely archival. Srpske novine (Serbian Newspa-



Page 1 and page 2 of the National Bank Act, 1883

per), the official gazette and daily political newspaper of the Kingdom of Serbia for the period from 1883 till 1919, was the first publication to be digitalized.

The beginnings of this newspaper date back to 1834, when the first issue of the official and public newspaper of modern Serbia, *Novine srb-ske*, was published in Kragujevac, then capital of the Principality of Serbia, still vassal to the Ottoman empire. The editor-in-chief was Dimitrije Davidović, originator of the national press, and it was published weekly on only four pages. The initial number of copies made was 300. As of 1835, the newspaper was published in Belgrade, and in 1845 it changed its name to *Srbske novine*. It was given its final name, *Srpske novine*, in 1869 after adopting the language reforms proposed by Vuk Stefanović Karadžić.

In addition to being printed in Kragujevac and Belgrade, the newspaper was, in the midst of World War One turbulences, printed first in Niš, a town in the south of the then Serbia (1914-

1915), and also on the island of Corfu, Greece (1916-1918), where the entire Serbian army and Kingdom of Serbia authorities withdrew. As the official journal of the state of Serbia, the newspaper monitored and interpreted Serbian government policy until the end of World War One and creation of the Kingdom of Serbs, Croats and Slovenes (which later became the Kingdom of Yugoslavia). The last issue of *Srpske novine* was published on January 10, 1919 (according to Julian calendar) and the new, united and expanded Kingdom and its official activities after that were monitored by *Službene novine*.

Why was it that the National Bank of Serbia, the central monetary and issuing institution of this country, i.e. its archives division, decided to undertake digitalizing such a periodical, and why was it that this period was selected?

Although this is doubtlessly not the case of standard documentary material, or archive material in the narrower sense of the word, this newspaper is a worthy source, and a first-rate



The process of digitalization in the National Bank of Serbia

one at that, for studying political, institutional, economic, cultural and general history of Serbia and Serbian society in the second half of the 19th Century and first two decades of the 20th Century. It is, at the same time, also a source for studying monetary, issuing, credit and general banking history of Serbia in the mentioned period. These claims are supported by the contents of *Srpske novine* divided into the official part - where laws, decrees, orders and proclamations of the ruler were published, as well as pronouncements, decisions, rulings and other official documents and regulations issued by the state authorities - and into the so-called unofficial part, comprising summaries of political events, political and economic analyses, current news from the country and abroad, news of local (capital city and district) character, announcements of state authorities, advertisements of companies, banks and mutual societies and individuals, announcements of cultural events, literary pieces (*feuilletons*), commercial messages etc.

Bearing in mind the wide range of interest covered by *Srpske novine*, the wealth of its contents, and its comprehensive and serious approach, it can easily be seen that it is undoubtedly a valuable and reliable source for studying the National Bank history as well. Indeed, this newspaper officially covered the National Bank from its very establishment in 1883 (namely, the first Law on the National Bank, after being adopted in the Parliament at the end of 1882 and promulgated by King Milan Obrenović on January 6, 1883, was published in *Srpske novine* on January 19, 1883 according to Julian calendar), and from the formal incorporation and start of operations of the Privileged National Bank of the Kingdom of Serbia in 1884.

It is not our intention to provide a detailed overview of categories and numbers of texts referring to the National Bank; however, let us just provide an illustration. Starting from 1883, *Srpske novine* published the laws on the National Bank, amendments to the laws, daily exchange rates, stock exchange reports, reports from sharehold-

ers' meetings, profit statements, reports of the Managing and Supervisory Boards, announcements of placing banknotes into circulation or withdrawing them, information on forgeries and how to deal with them, the Bank's commercial advertisements, etc.

Since the specialized Library of the National Bank and its Archives possess numerous preserved copies of this newspaper, and bearing in mind what was previously mentioned about its contents, the decision was made to digitalize and present to the national and wide international professional, expert and general public *Srpske novine* on the occasion of the 125th anniversary of the enactment of the first Law on the National Bank of the Kingdom of Serbia (2008), by presenting its digital copies for the period 1883 – 1919 on the National Bank of Serbia website.

In the period from the establishment of the Privileged National Bank of the Kingdom of Serbia until the end of World War One and the creation of the common Yugoslav state (when, as was previously said, the newspaper was renamed), at least 9,932 issues of *Srpske novine* were published, as far as we could determine in our research, which was restricted due to numerous errors in printing, especially during the war hard-



Part of the Project Team – NBS Archives Staff

ships in the period from 1914 to 1918.

The National Bank Archives and Library funds and collections, despite their striking wealth, do not contain all the issues of the newspaper particularly with regard to mid-war years, 1915 – 1917, so that it was necessary to locate the missing issues outside the parent institution. The National Bank Archive associates collected the missing issues through research in other relevant institutions of the Republic of Serbia – in the National Library of Serbia and the Archives of Serbia. The result of the extensive investigation in these institutions is that the percentage of unidentified issues of Srpske novine is less than 0.1.

A technological prerequisite for starting on this project was acquiring appropriate equipment. The National Bank of Serbia resolved this problem by procuring and using the equipment for hybrid digitalization, Kodak Book Filemaster scanner for up to A2 size. Since it is the policy of the National Bank of Serbia and its Archives to not only digitalize valuable historic sources, whether of archive or library provenience, but also to microfilm them for protection, the digitization equipment was supplemented by the so-



The Old National Bank of Serbia Building” dating back to the end of XIX century

called Archive Writer, for 16 mm microfilm.

The material to be digitalized itself and its condition, as well as technical and technological characteristics of the equipment and the objective of the project, dictated methodology and operations in the project implementation.

The methodology was broadly planned as follows:

- 1) Detection and completing procedure – preparatory activities,
- 2) Procedure of scanning and processing of images and processing of contents – scanning newspaper images, “clearing” the images, indexing;
- 3) Procedure of media migrating for purposes of protection and use – placing on server (Internet), burning on DVDs, microfilming.

1) Detection and completing, as the primary activity, involved first identifying the exact number of issues owned by the National Bank of Serbia Library and Archive funds, as well as identifying the exact number of published issues in the period in question. Since there are more than 9,000 issues, which were, although bound, repeatedly wrongly systematized, damaged to a larger or lesser extent, with occasional errors in printing, and since the paper was between 90 and 125 years old, this activity called for great care on the part of the researchers.

After identifying the list of missing issues, where our colleagues from the Library provided invaluable assistance, the NBS Archives associates started research aimed at identifying the Republic of Serbia institutions which might have copies of the missing issues. Afterwards, research was carried out in the National Library of Serbia and Archives of Serbia and the newspapers found there were photographed in order to complete the original project material (completing procedure). In the relevant institutions the material was photographed using a digital camera (Canon, PowerShot A630), which somewhat affected the image quality during later data migration. Owing to great thoroughness in the

detection procedure, which involved external criticism of sources and even more effective internal (content) criticism, a potential error in completing the series of Srpske novine was reduced to less than 0.1%. It should be pointed out that absolute accuracy in identifying the exact number of published issues of Srpske novine was not possible due to original mistakes in printing the newspaper, which occurred particularly frequently during World War One. Namely, some copies of newspapers had errors in the page numbering, and there were mistakes even in issue numbering (there were cases of issues not being numbered in sequence and certain numbers were "skipped").

2) Scanning and processing, as the second activity in the project, was a complex activity divided into three stages: scanning newspaper pages and creating images, image processing and indexing.

Scanning called for the careful handling of the material due to its brittleness (newspapers remained bound during the process), but also due to partly poorly systematized pages or entire issues of the newspaper. All the issues in one calendar year were included in a common unit, the so-called batch, and within it each issue was processed as a separate index file.

In image processing, the images were "cleared" of stains that had appeared (in the cases where it was unmistakably obvious that stains were brought about by inadequate handling over time), white spaces were cropped, and sufficient margins were left in order to preserve text integrity. Since the National Bank of Serbia Library and Archives funds in some cases contain two or more copies of Srpske novine, the associates scanning the material compared copies of the same issue of newspaper in order to select a better one. Where originals were of poorer quality, both copies were scanned and a better quality record was selected for storing in the base. However, in cases where both original copies of an issue were damaged, both photographs were scanned, processed and stored, since complete

contents of a page could still be recovered by comparing them.

Preparation of materials for digital storing of the newspaper involved the selection of format and resolution of images that would meet two requirements – optimum quality of the image and acceptable file size. Since the newspapers are of large format, between 31 and 31.5 cm in width and with a height of between 47.5 and 48.8 cm (dimensions were altered several times during the period of 35 years), with a large number of details (letters), it was important to provide good quality to allow sharpness and zooming of images. Since the intention was for the material to be viewed through the National Bank of Serbia internet presentation, it was important for the files not to be too large.

The material was scanned in life size in 200 dpi resolution. The images were scanned in a black-and-white colour palette (the so-called bi-tonal), in high compression TIFF format. This manner of scanning was aimed at creating files (images) whose size, which in this case was about 0.25 MB, would be manageable even for lower bandwidth Internet users (e.g. dial-up users). However, the shortcoming of this type of recording scanned images is that when they are further translated into the PNG format for reading in Explorer, fine edges of the letters are lost in the raster of the two colours (black and white). The solution to this problem is software softening of the raster and achieving the additional "softness" of the letters by introducing a further 6 shades of grey. By undertaking this, which is our intention, and at the cost of certain increase in file size, we will improve image quality in different resolutions of users' screens, while the quality of printing will remain the same. When it comes to Internet users, they can simply overcome the problem by copying the page in any of the image storing extensions.

Indexing images, the next stage in the procedure of scanning and processing material, involved completing the database with the information on newspaper issues (ordinal number), year,

month and day (date) of issuing, which were, we believed, quite relevant search data at least when it comes to periodicals.

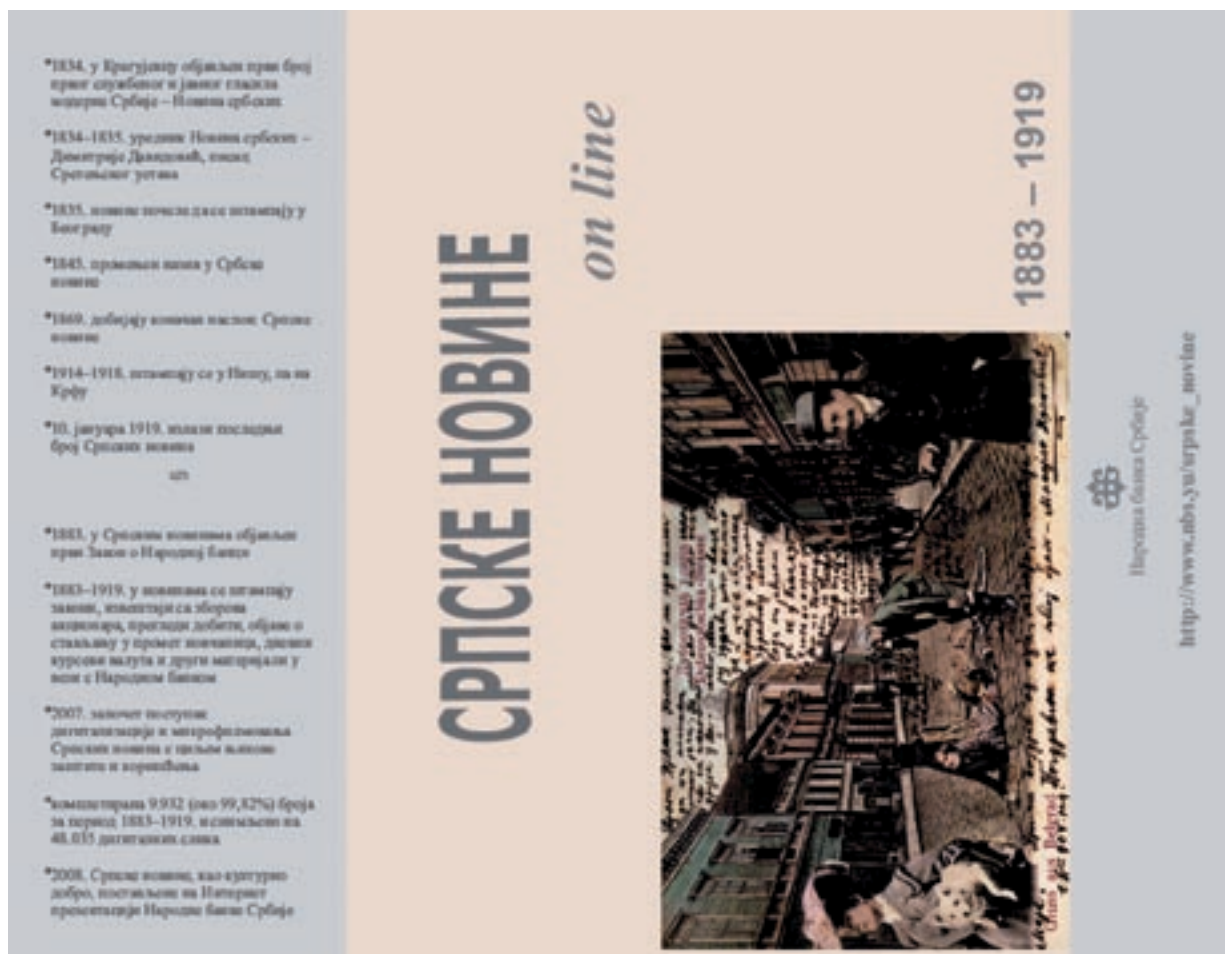
Digitalizing Srpske novine involved scanning, processing and indexing of 9,932 issues; a total of 48,035 images.

3) Looking for a sustainable principle for protection and use of the scanned material, and with the aim of protection and indirect use of the original material, the National Bank of Serbia Archive decided on a complex solution, involving concurrent storing of images of Srpske novine in three media – the server (for on-line use), DVDs and microfilm.

This stage of the project called for a multidisciplinary approach and the cooperation of several expert services of the National Bank of Serbia. The results of Archives Division activities were further developed by technological experiences and activities of the colleagues from the National

Bank of Serbia Information Technology Division and Section for Internet, Intranet and Publications, part of the Communications Division. Joint efforts led to the transformation of working material into a systematized and functional whole.

The very procedure of image migration images had several stages. First, in order for the material to be used via Internet, through the official website of National Bank of Serbia, the work stations where images had been processed converted the images, or optimized index files, from the TIFF format into PNG. Then the PNG files were placed on the server and the web application for viewing the newspaper was created, and at the National Bank website (www.nbs.rs) a folder was created that refers to the activities of the NBS Archives and Library. This folder contains a separate sub-folder, “Digital Archive” that contains digitalized Srpske novine, searchable by year, month and date of issuing. In this



Occasion marking leaflet celebrating the 125-anniversary of the National Bank Act

manner it was made possible to search, view and download all issues of Srpske novine (except for a few missing ones) for the period from January 1, 1883 to January 19, 1919. At the same time, the appropriate preconditions were created and technological support was provided for further digitalization and on-line availability of other important series of documentary and other materials of the National Bank of Serbia, which will take place in the near future.

For the purpose of additional protection, as a kind of electronic backup, but also for special purpose use (e.g. for printing in publications), the entire digitalized material was recorded from work stations where images had been processed to the total number of 6 DVDs (two copies each).

Finally, using the microfilm plotter (Archive Writer), Srpske novine digital images were saved in analogue form by being "recorded" on microfilm. The 16 mm rolls of microfilm with the newspaper images were made into two copies, exclusively for the purposes of protecting original material (base and protective microfilm backup), since utilization through the web and, if necessary, from the disk may meet all user demands.

Operational activities did not always take place in a chronological sequence, in line with the already mentioned methodology requirements, but overlapped at times due to the volume of work and status of the material.

Since January 31, 2008, the day when the National Bank of Serbia officially celebrated the 125th anniversary of the publication of the first law on the National Bank, the wealth of contents of Srpske novine is no longer privilege only of archives and library researchers. Careful users can now read and use Srpske novine for the period from 1883 to 1919 without fear of turning the pages lest they damage them. Finally, persons, events and the epoch of late 19th and early 20th centuries were brought back to life, in some way, through this procedure of digitalization and making Srpske novine available on-line.

Now, by simply accessing the URL address http://www.nbs.rs/srpske_novine, the pages appear before our eyes after an entire century, in their earlier form and size, allowing us to experience them as readers of those times, contemporaries of Srpske novine, experienced them, but in the comfort provided by computers and information technology.

After the completion of our project and making Srpske novine available on-line, the National Library of Serbia, the leading library institution in the Republic of Serbia, expressed an interest in exchanging digital archives of Srpske novine. Namely, that institution started digitalizing Srpske novine for the period not covered by the National Bank of Serbia project (1834-1882), and so the arrangement was made that digital archives of both institutions should carry out the exchange and thus complete all the issues of the newspaper published. In line with these activities, these digital archives will be joined on the Internet, and the National Bank of Serbia will continue with the projects of digitalizing original materials and the next material to be processed are the reports of the Privileged National Bank of the Kingdom of Serbia for the period from 1883 till 1920.

Mr. Saša Ilić,
Senior Archivist
Mrs. Sonja Jerković
Senior Archivist
National Bank of Serbia

News from The Baring Archive

In 2008 The Baring Archive, which documents the history of Barings Bank, entered a new phase in its history, with a permanent loan to a charitable company.

The archivists had become increasingly aware of the potential vulnerability of the collection as ING, which acquired Barings in 1995, no longer uses the Baring brand. The archivists worked with ING's legal department to investigate options for the future. Although several archive collections are now in trusts, there are different approaches and therefore no single obvious solution. However, archivists at collections such as The Rothschild Archive provided advice about how trust arrangements can work in practice.

For The Baring Archive we decided to adopt the process of establishing a charitable company, The Baring Archive Limited (TBAL), to which ING would loan the archive in perpetuity. We had to approach the Charity Commission to obtain charitable status for the new company. Before charitable status is granted, the Commission requires evidence that the company's aims are for "public benefit", so we highlighted the educational potential of the collections that TBAL would be managing.

ING's legal department prepared the loan agreements. We had to provide a definition of the archive for the agreements and this was supported by an export from the catalogue so that it is clear what has been loaned. There is still material in ING's modern records system which needs to be transferred to the Archive, so we will be preparing an annual summary of newly-catalogued items which will then be added to the loan. The loan also includes associated historical portraits from ING's art collection. The loan agreements were signed in April 2008.

As the collections have been loaned rather than gifted, TBAL does not have an endowment fund. Instead ING has committed to meeting the core costs of the Archive (eg suitable storage and minimum staffing) each year. The charity has a board of six trustees. Three are appointed by ING as the owner of the collection. The other three are Nicholas Baring; John Orbell, who was archivist of the collection for over twenty-five years; and Martin Daunton, professor of economic history at the University of Cambridge.

One of the first projects of TBAL has been the creation of an internet presence for the Archive. Our

new website is at www.baringarchive.org.uk. It includes the Guide to the Archive, a genealogy, a timeline, a selection from the art collection and an online exhibition about the financing of the Louisiana Purchase in 1803-4. Over the coming months we will be publishing sections of the catalogue for potential researchers to browse. Please take a look!



Moira Lovegrove
The Baring Archive

La Banca Cattolica del Veneto

The Historical Archives of Intesa Sanpaolo have recently published an illustrated guide of the documentary heritage of Banca Cattolica del Veneto, with insights into the history of the same bank: La Banca Cattolica del Veneto e il suo patrimonio archivistico. Uomini, tradizioni e territorio, by Paola Chiapponi and Chiara Guizzi.

Foreword: the value of small-sized, local banks records

EABH has already discussed the subject of local banks in 2003 in the Bratislava conference, looking at several operational models adopted by farmers' banks, church-sponsored credit unions, people's banks, cooperative banks, saving banks. Certain questions were also raised about the functions of local banks, their intended business targets, their connections with territorial authorities (either secular or religious) and with the State and the economic and social policies, *vis-à-vis* the behaviour of commercial and multinational banks.



In Italy, mainly in the Veneto region, a full blossoming of local banking institutions took place in the second half of the 19th century.

Banca Cattolica del Veneto belongs to the small group of church-sponsored projects that were able to thrive and upgrade from a purely local to an interregional dimension.

The three-years project of rearranging the official records of Banca Cattolica del Veneto has been strongly moved by the Historical Archive in order to identify, describe and make available to researchers such documentary deposits (which had been kept almost untouched over the decades), stemming from a middle-sized banking institution.

As Professor Giovanni Bazoli (chairman of the board of surveillance) stated in the book's preface,

“Besides the archives of the major Italian banks, which have already been opened to the general public, we are now making available a body of documentation – which has been preserved almost in its integrity – created by a local banking institution. Banca Cattolica del Veneto has been particularly strong and active, as its establishment and growth has supported the ‘persevering and prudent peoples’ of the Veneto region, and eventually has risen to an interregional dimension through hard work. With its special focus on the less fortunate in society, well before the assistance to small and mid-sized businesses, farms and craftsmen, this bank has minded the changing needs of local society, thus being able to create and suggest innovative services, such as products intended to serve the needs of migrant workers, that moved from Veneto to untold places abroad.”

“During renovation works, the Asiago branch, goes on with its banking service. This is everyday life, our life!”, 1950s



The Group Archives' initiative is fully aligned with the business model adopted by Intesa Sanpaolo, the so-called “Banca dei Territori”, to emphasize the close relationship with local economies. Furthermore, the Archives wish to foster the reciprocal acquaintance among the many “families” which have converged into the new banking group: thus we are helping laying the foundations of a new core of shared corporate values. In this way we contribute in building a new, enriched and proactive, sense of identity.

Historical background

After the annexation of Rome to the Kingdom of Italy in 1870, the abolition of Popes' secular authority and, in general, the legislation made by the new national Parliament provoked an unrelenting opposition to the new liberal State in the Catholic environment, with the starting of vigorous social and charitable actions.

More particularly, a strong commitment arose towards the improvement of the dire condition of farmers and workers caused by various factors,

as the serious crisis of agriculture that affected the country in the last two decades of the 19th century, the unfolding of industrial revolution, the sudden growth of urban population, the increasing trans-oceanic emigration.

The establishment of ‘special’ types of banking institutions took a privileged place among the measures inspired and supported by the Catholics in the economic and social fields. Country banks or rural banks were established first, in the form of cooperative societies as not-for-profit entities acting as low-cost lenders.

The rural bank became also the hub and the promoter of a web of other cooperative enterprises in the surrounding farmland such as mills, dairy farms, wine producers' cooperatives, consumers' cooperatives, mutual insurance in order to shelter members from cattle diseases, violent storms and hail and similar natural disasters.

In the territory around Vicenza, the rural banks inspired by the Church began to proliferate in the early 1890s. The Veneto region in general was the cradle of this movement: in 1897 the region

had 203 such banks, and 409 in the following year, as opposed to 108 rural banks in Lombardy and 78 in Piedmont.

Along with rural banks, some larger institutions were established to cover a province or the entire region, to serve as clearing banks for the smaller rural banks and more generally as supporting partners to other no-profit associations established by the Church in the same area. The corporate structure normally adopted was either the cooperative society or the personal partnership.

In this background Banca Cattolica Vicentina was established in 1892; it changed its name to Banca Cattolica del Veneto in 1930.

La Banca Cattolica del Veneto

Banca Cattolica Vicentina was established on November 4, 1892 as a 'cooperative society with unlimited capital' chartered to operate within the territory of the province and diocese of Vicenza. Its founders were members of the Catholic movement of Vicenza who wanted to support the local economy.

In the first shareholders' books we see the presence of several people of the cloth (chaplains, parish priests, archpriests, etc.), of Catholic farmers and workers societies, dairy farms, diverse church procurement agencies, and then farmers, renters, workers, carpenters, blacksmiths, cobblers, bakers, butchers, barbers, masons,

housewives, bell ringers, weavers, painters, publicans; and landlords, students, teachers, entrepreneurs, architects, pharmacists.

The by-laws of 1896 mandated the indispensable requirements of new shareholders: they ought *"to possess Catholic sentiment and principles and to enjoy immaculate reputation"*.

Profit sharing included a portion to be directed towards "the encouragement and support of activities aligned with corporate purposes". We have now built a database that contains the non-profit bodies supported by the bank's grants from 1892 until 1945.

In the early 30's of the 20th century, prompted by the joint decision of the central Government and the Vatican, the consolidation of Catholic credit was decreed. Banca Cattolica Vicentina became a multi-regional entity because of the acquisition of nine Catholic banks and changed its name into Banca Cattolica del Veneto (BCV) and fell under the control of the newly established Catholic clearing bank: Istituto Centrale di Credito.

The mergers and acquisitions continued apace and the network of branches increased from 23 in 1921 to 140 in 1938, to top at 165 branches in 1967.

In the economic boom of the early '60s BCV strongly supported the regional development, financing small and medium enterprises and the agro businesses.



Historical Head Offices, property of BCV, 1960s

Under the long leadership of Secondo Piovesan who managed BCV from the '30s until 1972, excellent relations were established and cultivated with customers and staff. The bank business was based upon a very deep reciprocal trust, which originated more from a “handshake” than from a legal apparatus, while a very successful investment in managerial development was initiated in the '70s.

In 1972 Banco Ambrosiano acquired the control of BCV, through La Centrale Finanziaria. In 1989, Nuovo Banco Ambrosiano merged with BCV, having the two banks with a very similar Catholic imprinting and robust rooting in their respective territories. The power of aggregation projected by the new entity – called Banco Ambrosiano Veneto – reached in 1998 the birth of Banca Intesa (and in 2006 Intesa Sanpaolo).

Historical archive and photographic section
Through its life BCV did not set up a properly structured historical archive. All the same, its prideful attachment to its roots provided the careful conservation of its official records from



Vicenza, Istituto Santa Chiara Theatre: employees during the annual evening entertainment, 6 March 1966

the very beginning. The Group archives have recovered material of great interest, for quality and quantity, documenting the activities of all corporate bodies, at the central as well as branch level.

In addition to top management records (Directors' Minutes, Statements of Condition, accountancy attachments to annual reports) we have classified informal documentation as well (preparatory notes to general meetings of shareholders, sundry personal papers) which contributes to reveal the corporate 'soul' of BCV.

Finally, a precious tool to assess the corporate culture is represented by the photographic archive of more than 10,000 snapshots and 250 original glass plates, a tribute to the strong sense of belonging that permeated BCV.

Photographic reportages were also required to illustrate stories appearing in the house organ called “Vita Nostra” (“Our Life”) which started in 1952 to spread corporate information and “to relate the most important achievements of BCV and of our staff and family members” (see Workshop Malta...). Besides institutional events many social venues organized for retired employees are documented: evening shows, picnics and pilgrimages, summer camps, sporting competitions, etc.

During the presentation in Vicenza of the book “La Banca Cattolica del Veneto e il suo patrimonio archivistico. Uomini, tradizioni e territorio”, Group archives' staff met the members of the Association of retired BCV's employees, which expressed great enthusiasm and personal feeling about such publication.

As a follow-up, several interviews have been conducted, in order to collect oral memories and to acquire new and significant documents.

Paola Chiapponi¹

¹ I wish to thank Chiara Guizzi, co-author of both the archival work and the guide, and Francesca Pino, Head of Intesa Sanpaolo Group Archives.

Central Banking in the Czech Lands

Jakub Kunert – Jiri Novotny

Prague 2008, 182 p.

Eight years after the publication of Professor František Vencovsky's book on the history of monetary policy on Czech territory from the beginning of the 10th century up to the present, the Czech National Bank has decided to publish a book called "Central Banking in the Czech Lands". Written by Jiri Novotny and Jakub Kunert, it covers the history of central banking since the establishment of the Czechoslovak Republic in 1918. The book had a printing of 2,500 in Czech and 1,000 in English. As employees of the CNB Archive, both authors have specialised in banking history in their publication activities for many years.

The authors' main aim was to outline the history of the Czech banking system and its supreme institutions, i.e. the central banks of issue, in the context of the genesis of the credit system in the Czech lands and Czechoslovakia. The

first part of the publication therefore provides a concise history of the Czech banking system, starting with its first steps in the second half of the 19th century. It thus shows how the Czech banking system, built on the solid foundations of the burgeoning Czech "people's financial institutions", gradually assumed a key role in the credit system of the Czech lands and later also of Czechoslovakia. It also explains how the system operated in the shadow of occupation and at the time of the restored Czechoslovakia, when the banking sector was concentrated regardless of the real needs of the Czechoslovak economy. The authors chose 1950 as the end-date for this part of the publication, as this was when the State Bank of Czechoslovakia was created as a "mono-bank" incorporating the functions of both central and commercial banking. The authors tell the story of the banks operating in its shadow in a section devoted to the history of the State Bank of Czechoslovakia. This part also contains an explanation of the history of the bank of issue during the Hapsburg monarchy and short biographies of eleven prominent Czech bank managers.

The centrepiece of the publication, however, is an account of the history of central banking in the Czech lands and Czechoslovakia. In it, the authors try to trace the institutional development of the individual banks of issue, starting with the Banking Authority at the Ministry of Finance and ending with the Czech National Bank. The publication recounts how the newborn Czechoslovak state had to cope with the difficult monetary situation after World War I and what role was played by the Ministry of Finance's Banking Authority in establishing the National Bank of Czechoslovakia. The foundations laid by the Banking Authority later became the pillars of the National Bank of Czechoslovakia established in 1926. The



book then guides us through its entire history, with all the changes and upheaval caused by extraordinary economic and political events (the Great Depression, the occupation, the restoration of Czechoslovakia, the February 1948 coup d'état), which dramatically affected the whole of Czech and Slovak society. The authors try to paint as complete a picture as possible of an institution that played a significant role in the Czechoslovak and European context.

The following chapter is devoted to the State Bank of Czechoslovakia. Here, the publication concentrates on the bank's organisational development between 1950 and 1993 and looks in more detail at some of its specific areas of activity, such as lending, monetary policy and the payment system and their changes. It also pays attention to the bank's position in the planned economy. The section dealing with the Czech National Bank puts the main emphasis on the separation of the Czechoslovak currency and the State Bank of Czechoslovakia and goes on to explain the main functions of the independent central bank – the Czech National Bank. Rather than setting a specific end-date to which the publication should refer, the authors chose the broad framework of the end of the last century so that they could describe the main trends in the history of the Czech National Bank.

The main text is followed by two chapters providing a complementary view of the central bank. The first presents the leading representatives of the central bank in chronological order. The second recounts the changes that the central bank's head office has undergone over its 90-year history, as well as its present form, and describes and presents the CNB's current branches.

The book's strong points include its high-quality graphic design and an attached CD containing all its illustrations in higher print quality as well as unique scanned documents from the CNB Archive documenting the bank's history and nicely complementing the text of the book.

The publication endeavours to provide a comprehensive institutional view based on a detailed

study of relevant legislation, of extensive archive documents (mainly from the CNB Archive) and of the literature. The authors strive to provide an objective view of the history of central banking in the Czech lands for specialist and layman alike.

Jakub Kunert
Czech National Bank

The Bank of Albania

The Bank of Albania is the central bank of the Republic of Albania. This status is ratified by Article 161 of the Constitution and by Law No. 8269, dated 27.12.1997 "On the Bank of Albania" that establishes the targets, tasks, relationships with the banking system and the stat, organisation and management, ownership on the capital, financial statements and profit allocation. The history of the Bank of Albania involves the history of attempts preceding the foundation of a central bank (1863-1924), the establishment of the National Bank of Albania (1925-1944), then the State Bank of Albania (1944-1992), which at that time exercised both the functions of a central bank and those of a commercial one, and to finish with the two-tier system with the Bank of Albania (since 1992), performing all the functions of a typical central bank. The Bank of Albania is the only institution in the Republic of Albania responsible for designing, compiling, approving and implementing the monetary policy. This policy is designed in view of fulfilling the main target of the Bank of Albania: achieve and maintain price stability, contributing so to the economic development and well-being of the country. Another important function of the Bank of Albania is to ensure the stability of the banking system that has been a promoter and supporter of the country's economic growth. The Bank of Albania also enjoys the exclusive right to issue and circulate the national currency, manage the international reserves of the Republic of Albania; serve as a banking, advisory and fiscal agent to the Government and guarantee the proper functioning of the payments' system. With the attribute of the monetary and supervisor authority of the country, the Bank of Albania enjoys all the authentic functions of a modern central bank.



Financial History Review
Volume 16, Issue 01
April 2009

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Central bankers as good neighbours: US money doctors in Latin America during the 1940s

Rosine Hart

Weavers of profit: terminating building societies in Lancashire, 1780-1840

Anders Ögren

Financial revolution and economic modernisation in Sweden

Marc Prat

Textile trade and trade credit in Spain, 1840-1913

Book Review

Philip L. Cottrell, Evan Lange und Ulf Olsson (eds.), *Centres and Peripheries in Banking: the Historical Development of Financial Markets* (reviewer: Stefano Ungolini)

Georges Gallais-Hamonno and Pierre-Cyrille Hautcoeur (eds.), *Le marché financier français au XIXe siècle* (reviewer: Hubert Bonin)

Carlos Marichal, *Bankruptcy of Empire: Mexican Silver and the Wars between Spain, Britain and France, 1760-1810* (reviewer: Albert Broder)

Bruno Théret (ed.), *La monnaie dévoilée pas ses crises, volume 1 : Crises monétaires d'hier et d'aujourd'hui; volume 2: Crises monétaires en Allemagne et en Russie au XXe siècle* (reviewer: Willem Wolters)

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

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

The EABH congratulates Lars Fredrik Oksendal, Norwegian School of Economics and Business Administration, on winning the FHR Best Article Prize for 2007/2008.

The EABH congratulates Alan Cameron, member of the AAC 1997 until 2003, on his election as President of the UK Society of Archivists, last autumn.

**The European Association for Banking and Financial History e.V.
Interdisciplinary Workshop Series**

Opening the Vaults: Putting the Bank on Display

14th May 2009

Programme

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Bank of Cyprus representative
EABH e.V. representative

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Chairman: Luis Nunes, Banco de Portugal, Lisbon

Title to be specified

Armine Wehdorn, Oesterreichische Zentralbank

The Bank of Finland Museum

Jaakko Koskentola, Bank of Finland, Helsinki

From Showroom to Visual History

Jan van der Meer, Rabobank, Utrecht

Q & A Session

II Session: What Do Banks Display?

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Preserving Memory – Spreading Knowledge: The Case of the NBG Banknote Exhibition

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Catherine Eagleton, British Museum

**The European Association for Banking and Financial History e.V.
Annual Conference**

**The Critical Function of History in Banking and Finance
Panel Discussion: Economic Integration Across Borders**

**15th - 16th May 2009
Nicosia, Cyprus**

Friday 15 May 2009

Welcome Address

Member of the Board of Bank of Cyprus
Manfred Pohl, Deputy Chairman, EABH e.V.
Athanasios Orphanides, Governor Central Bank of
Cyprus

Key Note Speech

History of Banks and Financial Institutions in Cyprus
Yiannis Kypri, Bank of Cyprus

**Panel Discussion: Economic Integration Across
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Chair: Marios Clerides, Hellenic Bank Group

Peter Hertner, Martin Luther Universität, Halle-
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Tassos Giannitsis, University of Athens

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The Breakthrough of Commercial Banking in Industrial
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Alexander Apostolides, University of Warwick

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Territory

Antonio Dusi, Assicurazioni Generali

Concluding Remarks

Margarita Dritsas, Hellenic Open University

The Banker and Politics

Do financial experts have power? Or do they have a very limited space for their work and visions like most specialists?

Mira Kolar Dimitrijevic, a Croatian economic historian, just published a very interesting book on this question, analysing the life and activities of Ljubomir St. Kosier, one of the leading financial experts and bankers of interwar Yugoslavia.

The impression after reading her fascinating book entitled "Banker and politics, Ljubomir St. Kosier 1898-1939" is that experts could produce very innovative combinations which could solve many specific economic situations and problems, but that results of their work ultimately depends on political and economic limits of their societies.

Ljubomir Kosier was a young and successful provincial banker in post- First World War Bjelovar, Croatia, who was not satisfied just to be a member of the local economic elite. Ambitious as he was, he invested strong personal efforts to educate himself in finances and raise his political position. In the following twenty years he became the most productive economic writer of interwar Yugoslavia but also one of the most powerful "bankers in the shadow". Extremely well educated in finance and innovative, he was able to recognise and organise the most interesting financial flows in interwar Yugoslavia.

After initial attempts to establish himself politically as a social democrat in Bjelovar and as a development economist in Karlovac he realised that the most important economic actor in the Balkans is the state. Thus, most of his economic projects were about how to provide financial resources for the state and circles of leading Radical parties.

From the early 1920's he intensively promoted centralisation and merging within the highly disintegrated banking system of Yugoslavia. This process was realised during the 1930's with the etatization of banking system. Also, he recognised the importance of emigrant's funds and savings and did many promotional and organisational efforts to direct those funds towards Narodna Banka in Belgrade. In 1923 he published a very important book on the problems of savings where he set up proposals on how to attract hidden savings towards banking system.

In the same year Kosier resigned his position as director of a private bank in Zagreb and became the state financial expert whose activities were mostly at an international level. Up until 1929 he was the Yugoslav diplomat in Switzerland. The late 1920's were the years in which he gained his international education (Switzerland, England, Germany, France) and strengthened his position as the leading Yugoslav expert for international finances. During that period he was editor of the magazine "Banking" which became a main forum from which he promoted his financial projects but was also a meeting point for Yugoslav economic experts.

After the 'coup d'etat' in Yugoslavia 1929 Kosier became a supporter of the unitaristic policy of King Alexander. He proposed several organisational measures which could raise economic efficiency in Yugoslavia. He believed that state companies and state banks should be the most efficient economic development instruments in the Balkans. However, he was very clear about expertise needs and thus

promoted the Economic Council, a body of economic experts which should control and advise state businesses.

After the Great Depression and new financial and economic circumstances in Europe, Kosier became the promoter and organizer of economic and financial cooperation between Germany and Yugoslavia. He was one of the specialists who prepared different clearing arrangements through which Germany expanded economically towards the Balkans during the late 1930's.

Kosier died in March 1939, only one month after the political fall of Stojadinovic and his pro-German politics. He was "intentionally forgotten" for the next seventy years until Mira Kolar wrote a book about his frenetic effort – to find the use of his financial creativity.

