

1 2 3 4 5

bulletin



Newsletter from the EABH

2/2010



European Association for
Banking and Financial
History e.V.

Contents

EABH survey	2
New research	7
Burning the midnight oil	54
Archives news	56
Book trailers	76
New members	78
Conference report	84
EABH noticeboard	93
Removing the dust	94

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

ISSN 2219-0643

Key title: Bulletin (European Association Banking and Financial History)

Editor: Damir Jelic

Assistant Editor: Carmen Hofmann

Language Editor: Verity Gale

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

Geleitsstrasse 14

D-60599 Frankfurt am Main

info@bankinghistory.de

Tel: 0049 69 97 20 33 09

Fax: 0049 69 97 20 33 08

www.eabh.info

EABH Survey

How could banking history and banking archives obtain a better standing within their institutions? How should they summarize their activities and promote the archive itself as well as the different functions they comply with?

One possible reply would be that it is important to communicate directly with the management and promote the important role that banking history and archives play for the realisation of main bank functions.

1) Is there a direct linkage between the existence of an archive and the profitability of the bank? Which is the right strategy to stress the value added by archives and likewise the knowledge base of banking history for commercial banks?

2) How should it be communicated to the bodies of a central bank that historical evidence plays an essential role as regards decisions that concern the stability of financial systems? Which would be an adequate communication strategy?

3) Do you recall any concrete archival or historical project that had a distinctive impact on the stability or profitability (of your institution)?

Central Bank of Malta

1) This is obviously a question addressed to a commercial entity, which for obvious reasons is profit-oriented.

In any case an archive can have an impact on bank profits in the sense that if a bank lacks a cohesive structure for the retention, retrieval and use of records and for their preservation for as long as they are required, then the bank might be lacking an essential tool (information) to further its business and to aid decision-making.

An archive could also be a marketing tool e.g. selling corporate imagery which could be a source of income.

2) Decisions cannot be taken in a vacuum. Without recourse to antecedents the risks of repeating past mistakes and errors are amplified. A sound interpretation of circumstances and projections for the future cannot be made in isolation and have to depend on the availability of historic data and information. Thus the exist-

ence of good record-keeping and archives plays a significant role in informing decision-making. Good record-keeping and archives also promote good governance. They are also an essential mechanism to ensure compliance with legal obligations especially those which regulate the protection of data and the disclosure of information. Failure to ensure compliance with such legislation may result in embarrassment and have a negative impact on an organisation's public image. It may also compromise public trust in an institution.

Archives are keepers of corporate memory. They ensure the preservation of corporate records ensuring that they are retrievable and usable. Thus archives help to ensure better decision-making and support accountability.

The importance of maintaining archives has to be continuously pressed upon senior management. Unfortunately archives generally have a very low profile. Thus one might use creative

means such as email shots highlighting archive 'curiosities' to 'popularise' the archives. It is also important to have someone in top management who can champion the archives.

3) I do not recall any such projects

Josephine Zammit
Central Bank of Malta

Oesterreichische Nationalbank (OeNB)

It would be useful to report directly to the management about the activities of the archives, i.g. about current historical projects.

The communication with the management could be held up by sending concise reports as well as by verbal discussions with the managers.

1) A direct linkage between the existence of an archive and the profitability of the bank is shown very often, because many departments of the house, like the legal department or the back office need historical information for day-to-day-business. This fact should be made fully aware to the management all the time.

2) Holding up presentations about the essential role of the archives, not only for the management but also for the employees of the bank, could be an effective communication strategy.

3) Recording, classifying and registering the archive material of the OeNB within the framework of a 10 years project form the basic for future historical projects which might have a distinctive impact on the profitability of the bank.

Walter Antonowicz
Bank History Archives
Oesterreichische Nationalbank

Banco de España

One possible reply would be that it is important to communicate directly with the management and promote the important role that banking history and archives play for the realisation of main bank functions.

Banking archives should make sure their activity reports are concise and reach the management and ask for feedback.

1) The two most obvious links are the supply of information for internal demands and legal requirements and the activities related to image building. Those tasks should be stressed in the activity reports.

2) In central banking historical evidence is the main source of empirical evidence because experimentation is not possible. This fact should be highlighted in the meetings with the management.

3) No, we are a central bank.

Francisco Javier Sánchez Hernández
Unidad de Archivo Histórico y General
Banco de España

Banco de Portugal

1) It is important to communicate with the management and promote the important role that banking history and archives play for the realisation of main bank functions. Archivists should be active in promoting the goals of the archives, using the internal journals, the commemorative dates (anniversaries, special events, marketing campaigns for banking products...) A good relation with the marketing, communication, PR, HR and other departments involved with the image of the Bank are welcome.

2) Which would be an adequate communication strategy? Be proactive and take the opportunity to give the decision makers the historical ap-

proach to the financial and economic crisis or other important moments using the documents you have in your archives or in cooperation with other central banks archives or other important sources of information.

Do you recall any concrete archival or historical project that had a distinctive impact on the stability or profitability (of your institution)?

3)No

Luis Abreu Nunes
Bank of Portugal

Bank of Finland

1) There is no direct linkage between the historical archive and the profitability of the Bank of Finland.

However, the Archive of the Bank of Finland is part of the Information Services Division, which is in charge of the development of records and document management. This includes both the collaborative workspaces and intranet and the official journals and records. Especially the development of collaborative workspaces (based on MS SharePoint) has increased the speed and quality of the key processes. We are also realizing new enterprise content management programme for the Bank of Finland.

2) The board of the Bank of Finland knows the history of the Bank reasonably well. Sometimes the Board wishes to know what kind of decisions and discussions the Bank has practised during history. However, since the circumstances - for example legislation - has varied during history, it is very difficult to find any direct answers from the historical archive.

3) Not really.

Vappu Ikonen
Bank of Finland

Czech National Bank

The only way how the archive can get a better position in the institution, is in my opinion, to be able to present its achievements, especially how much it's used by employees of the institution and by the researchers. Without the understanding that the archive is worth having, its existence will be ever disputed by the management.

I do not think that the crucial point is to belong to the office of the top management or to have a special relationship with the top management members. Everything depends on the personality and communication and presentation skills of the archivist, because the managers come and leave the institution and being in the top office never means that you actually have an impact on the top managers.

The best way how to summarize activities of the archive is via the annual report. The Archive of the Czech National Bank, that belongs to the specialized archives in the Czech Republic, is obliged by the law (499/2004 Coll.) once a year to prepare an annual report that consists of three parts: I. Personal conditions of the archive, II. The amount of archival documents in the archive, III. Reference services and archival processing. While the first two parts refer to the extent of the archive by the end of the year, the third part is devoted to the description of the activities of the employees of the archive in the concrete year. This section consists of smaller articles about the acquisition, description of archival documents, provided reference services, social, scholar and cultural activities of the archival staff and their published papers. This report is accessible not only to the management of the bank but for the wide public on the web of the Czech National Bank too. Since last year the archive gained its space even in the annual report of the Czech National Bank, where it can present its annual achievements and the benefit to the Czech National Bank.

1) I do not think that there has ever been a direct linkage between the profitability of the bank and the existence of its archive; especially I do not think so in the short term (e.g. new established banks can be more profitable in a shorter run than the older ones with the long corporate memory).

But in the long term, because banking is first of all about the trust it manages to gain, none of the bank institutions can exist without the archive that creates the essential part of the corporate memory. To have history means, in banking, to have long-lasting success and the archive can help to stimulate the public view that it really pays out to trust the successful institution. So the existence of the archive in the institution, in my opinion, signalizes to the public there were many banks that were established, made perhaps a quick profit and left the market, but this institution managed to survive all the financial turmoils of the past because it has its own and better strategy and this experience (held in the archive) creates the calm harbor for creditors. Even the archive and its openness to the public shows that the bank has nothing to hide from its creditors or investors, and therefore is more reliable than others.

2) Which would be an adequate communication strategy?

The best way for the central bank archive is to be involved in the endeavor of the central bank to promote the economical literacy. That means to present the archive as a source of information that is not only related to the past but to the present as well. E.g. in this time the archive can provide positive evidences about the necessity of private savings and a healthy loan.

As for the communication strategy inside the organization the archive has to concentrate one part of its work on the presentation, e.g. publication activity, creation of new texts for official web pages of the central bank, arrangement of educational excursions to the archival repositories and on preparing the exhibitions for the staff (or wide public).

3) The most significant case of usage of history (and of course the archive) in our institution (in that time the State bank of Czechoslovakia) was in the year 1990 the research on the question of the management of bank institutions in the 1920s and the 1930s. The reason was that after the forty years of communism quite nobody had any idea about the proper functioning of bank institutions.

In the 1990s the archive (or in that time archives) of the Czech National Bank was involved in many cases of restitution of alienated property during the time of Communism and the World War II. The positive approach of our archives towards the claimants must have gained the Czech National Bank significant reputational benefit in the Czech public too. This good reputation of the Czech National Bank (and its archive) is to be seen even now again and again when people are turning to the Czech National Bank with their requests about the financial questions related to the past.

Jakub Kunert
Czech National Bank

Národná banka Slovenska

The Archive of Národná banka Slovenska provides information and consulting to the wider professional and non-professional public. When processing administrative matters, especially in relation to the indemnification of WW2 victims or the restitution claims of applicants, it co-operates with various authorities and institutions in Slovakia and abroad. Archive documents saved in the NBS Archive are especially utilised by researchers among professional domestic and foreign historians, economists, and students studying the history of the banking industry and economy in Slovakia.

In co-operation with the Legislation and Legal Department of the NBS, the Archive with its historical and legal analyses assists with the solution of complex matters such as the real estate of former commercial banks up to 1950, which also results in financial profit for the NBS. Archive workers with the publication of their work in various periodicals and almanacs assist in the dissemination of information about the history of Slovak and European banking, and the banking industry.

Currently we are preparing a monograph about the history of central banking in Slovakia, with the financial support of the Národná banka Slovenska.

The future of the Archives and Central Library Section lies in the utilisation of modern IT with the objective of making stored documents more transparent and available to the professional public. At present, in co-operation with the relevant units of the NBS, the archive is working on the project of the digitalisation of the registry, filing system, and archive, steps that will result in cost savings.

Ing. Marián Tkáč, PhD.

**Head of NBS Archives and Central Library
Národná banka Slovenska**

**The Dutch origins of a French banking group
The Nederlandsche Credit – en Deposito Bank
Parent of the Banque de Paris et des Pays-Bas, 1863-1872**

It is quite well known that the Banque de Paris et des Pays-Bas (Paribas) was created in 1872 as a result of the merger between the French Banque de Paris and the Dutch Nederlandsche Credit-en Deposito Bank (NCDB), which was established in Amsterdam. This bank was also known under the name of the Banque de Crédit et de Dépôt des Pays-Bas. Nonetheless, the details of the latter's creation aren't as well known.

The French and international banking literature attributes the foundation of the Dutch ancestor of Paribas to Louis-Raphael Bischoffsheim and his nephews the Bambergers, Baron Maurice de Hirsch, Meyer Joseph Cahen d'Anvers as well as Alphonse Pinard and Edouard Hentsch, who represented the *Comptoir d'Escompte de Paris*¹. However, according to Dutch sources, the foundation of the Amsterdam bank was the initiative of Dr. Samuel Sarphati, an ardent promoter of the economic and social development of Amsterdam in the middle of the nineteenth century.²

The Dutch sources are unfortunately not easily accessible to foreign researchers due to the language. This condensed article reveals for the first time more details about the Dutch dimension of the Paribas history to the English-speaking community of researchers. It discloses new facts about the origins of Paribas and the Banque de Crédit et de Dépôt des Pays-Bas, and it thus enriches our knowledge of this group.

Banking in the Netherlands in the nineteenth century: The development of "crédit mobilier"
In the beginning of the nineteenth century, the banking sector in the Netherlands was characterized by a relatively simple structure. The *Nederlandsche Bank* was founded in 1814 by William I, King of the Netherlands. The bank

had the exclusive right to issue banknotes in guilders and to grant credits in order to stimulate commerce and industry that had suffered badly under the Continental System. Gradually, the *Nederlandsche Bank* would develop into the central bank. Other bankers were active in the international trade of commodities, credits and were well known for foreign sovereign debt issues. With the exception of the *Nederlandsche Bank*, credit business was really of a secondary importance. Credits were granted by way of discounting bills receivable, and by the pledging of securities, metals or agricultural commodities.

It was around 1855 that the Dutch started to orientate themselves on the creation of big joint stock banks³, new forms of credit and on the new phenomenon of the *Crédit mobilier* created in France by the Pereire brothers⁴. Numerous and lively debates among professionals took place. Among other considerations, the central bank thought the concept of *crédit mobilier*, which combined universal banking and investment banking too speculative. It was no surprise that in 1856 a number of similar projects, which mainly came from abroad, were refused royal approval.

However, during the following years, the climate for new banks gradually improved. With the financial crises of 1857 in the Netherlands, the speculative mood on the financial market had largely disappeared. This could be one of the explanations of the change in the attitude of the government, which started to see the need for a rapid economic recovery. The government was also aware of the more liberal ideas that were gaining ground and of the new developments abroad⁵.

This climate offered opportunities for new banking institutions. The new banks that wanted to adopt the statute of a limited company met with a more favourable attitude than before. Their objectives were no longer so strictly judged. Among these banks the statutes were approved in 1863 of the *Rotterdamsche Bank N.V.* and the *Nederlandsch-Indische Handelsbank N.V.* Another new banking institution was the NCDB, with Samuel Sarphati as the driving force.

Sarphati and the co-founders of the NCDB

Samuel Sarphati (1813-1866) was born into a Sephardic Jewish family that had arrived in Amsterdam from Portugal in the middle of the seventeenth century. After finishing his studies at the University of Leyden, he established himself as a physician in Amsterdam. His strong social sense combined with a great understanding of the economical realities of life, inspired him to actively promote public health and education. In the same spirit were founded the *Maatschappij voor Meel- en Broodfabrieken* (1856) to produce inexpensive quality bread; the *Nationale Hypotheekbank* (1861); the *Nationale Bouwmaatschappij* (1864) to construct affordable housing; the *Amstel Hotel* (1866), which is still today one of Amsterdam's top hotels and finally the NCDB (1863) to promote the development of new industry.

With his drive to stimulate industrial development, it may be assumed that Sarphati followed with great interest the new trend toward the development of institutions based on the *crédit mobilier* model and the creation of new joint stock banks. He was often confronted with the lack of capital to finance his various projects, and obviously, he deemed the time to be ripe for an industrial development bank. Probably, thanks to his personal friendship with Louis-Raphael Bischoffsheim, who had established himself as a banker in Amsterdam in 1820, Sarphati was well informed about the French *Crédit mobilier*.

Furthermore, he was much impressed by Baron Haussmann's ambitious reshaping of Paris, which was made possible with the help of the *crédit mobilier* banks.

In 1857 he asked for royal approval for a new bank to be called the *Maatschappij voor Nederlandsche Volkswijf* (the Industrial Development Bank of the Netherlands). The bank featured several aspects associated with a *crédit mobilier* bank. Knowing the sensitivity of the authorities, Sarphati tried to circumvent this by arguing that the new bank would not transact any speculative business, nor would it be engaged in the issue of banknotes or trading activities. Additionally, the bank would not invest in newly created companies. Their shares would immediately be placed in the market. Finally, the bank would only engage itself with companies that opened up their books. This was really quite new. However, the authorities considered apparently Sarphati's proposal as a disguised *crédit mobilier* bank. In the winter of 1862-1863 Sarphati made a renewed effort to get his bank for industrial finance off the ground. This time, he had the active support of Louis-Raphael Bischoffsheim and A.C. Wertheim, the future general manager of the new bank.

Abraham Carel Wertheim (1832-1897) was born in a very modest family of German origin. His father was able to place his 13 year old son as junior clerk within his brother's bank. In 1834 Wertheim's uncle had associated himself with his brother in law, J.L. Gompertz, to start the bank *Wertheim & Gompertz*. Young Abraham did well and with the help of his uncle he began a traineeship with *Julius Königswärter*, bankers in Amsterdam. This bank was very successful in the international arbitrage of currencies and stocks. They, and for that matter, their colleagues Joseph Cahen, Salomon Raphael and Louis-Raphael Bischoffsheim, were the first to use the telegraph to conduct their arbitrage activities. After four years with *Königswärter*, Wertheim returned

to *Wertheim & Gompertz* and was appointed chief clerk. In 1858 he married his cousin, the only daughter of his uncle, and was thereupon appointed partner of the bank. Until his death in 1897, he was the key partner of the firm. He had succeeded in transforming this modest securities house into a leading player in the national and international underwriting business, in particular American and Russian railroads. Wertheim was considered as the most influential and creative Jewish banker of his time in the financial world of the Netherlands. In fact he belonged to the select circle of men such as Marten Mees⁶ and S.P. van Eeghen of *Van Eeghen & Co.*, who by their personal and financial engagement, supported the creation, the financing and even restructuring of important Dutch enterprises. During the sugar crisis of 1884 he managed to find the funds to rescue the most important colonial bank, the *Nederlandsch-Indische Handelsbank*⁷, which was on the brink of bankruptcy. He was also successfully involved with the organisation and financing of the Dutch and the colonial railway systems and the reorganization of the *Vereeniging voor den Effectenhandel*⁸ in 1876. During his career, he was instrumental in the start up of several new banks, such as the *Amsterdamsche Bank*⁹ and the NCDB. Because of his reputation, he was also invited on several supervisory boards, among them the central bank *De Nederlandsche Bank* and the *Amsterdamsche Bank*.

Louis-Raphaël Bischoffsheim (1800-1873), who came from Mainz in Germany, started a bank under his own name *L.R. Bischoffsheim* in Amsterdam in 1820. According to his nephew, Louis Bamberger, this was the “Stammhaus”. A few years later after an apprenticeship in Amsterdam, his younger brother Jonathan-Raphael Bischoffsheim (1808-1883) established himself in the port city of Antwerp. The two brothers married two sisters, who were the daughters of the banker Hayum Salomon Goldschmidt from Frankfurt. This family connection would lead to the creation of a group of associated banks. In

1846 Louis-Raphael Bischoffsheim moved to Paris to start a new banking house under the name of *Bischoffsheim, Goldschmidt & Cie.* In London the firm *Bischoffsheim, Goldschmidt & Avigdor* was founded. This was followed by *Bischoffsheim, Cassel & De Hirsch* in Brussels in 1857. The old Amsterdam firm was in liquidation in 1862.

The Foundation of the NCDB

The articles of association for the NCDB had been approved by royal decree on the 22nd of February 1863. Apart from trading and investment in mortgage bonds, shares and debentures of companies “established on sound financial fundamentals”, the purpose of the new bank was also “to cooperate in raising capital and credit for companies of public interest, for large public works and for the expansion of national industry, where this can be done on a secured basis”. The inclusion of mortgage bonds in the first phrase of the bank’s articles of association might be an indication that Sarphati had a close cooperation with his mortgage bank in mind. The *Nationale Hypotheekbank* faced some problems placing its bonds and looked for new distribution networks. The reference to the expansion of the national industry reverts to Sarphati’s earlier failed initiative, the *Maatschappij voor Nederlandsche Volkswlijt*

The new issue prospectus, dated the 31st March 1863, stated that the problem of how to find the capital for the bank had been solved “as Mr. Louis-Raphael Bischoffsheim’s personal involvement had been secured”. The bank was capitalised at NLG 10,000,000, represented by 40,000 shares with a par value of NLG 250 each on which 60 percent had to be paid initially. 8,000 shares were offered in the Dutch market. The other statement in the prospectus, “that the other shares had already been placed” certainly helped a lot to make the new issue a great success. Only 2 percent of subscriptions were allotted¹⁰. Obviously, this was mainly due to the

foreign parties that belonged to Louis-Raphael Bischoffsheim's syndicate.

Shortly after the issue, the NCDB was officially founded by the notarial deed of 14 April 1863¹¹. Bischoffsheim, Goldschmidt & Cie Paris, Bischoffsheim & Goldtschmidt London, Louis-Raphael Bischoffsheim in Paris, his brother Jonathan-Raphael in Brussels and Hayum Benedict Goldschmidt in Frankfurt held 17,600 out of the 40,000 shares. Then came A.L. Pinard in Paris, Levy Cremieux Frères & Cie, Hentsch Lutscher & Cie, M. Königswärter, Trivulzi Hollander & Cie, all established in Paris. Over 10,000 shares were in the hands of smaller shareholders who were not directly involved with the foundation of the bank and included the people who had subscribed to the new issue in Amsterdam. In fact, the French based banks and individuals held just over 50 percent of the capital. Apart from Sarphati, who owned 1,000 shares, the managers and the members of the supervisory board were obliged to hold between 50 and 100 shares, as was prescribed by the articles of association.

The NCDB bank opened for business on the 1st May 1863. The principle of a two tier board had been installed. The responsibility for the bank's affairs was entrusted to a board of management with Sarphati as president and A.C. Wertheim as general manager. The latter would also continue his partnership with *Wertheim & Gompertz*. One year later Benedict Jacobsen¹² was appointed as the second general manager. The Supervisory board counted nine members. Three of them were French: Louis-Raphael Bischoffsheim, Edouard Hentsch¹³ and Alphonse Pinard¹⁴. The six Dutch members were leading Amsterdam people active in political life or connected with the *Nationale Hypotheekbank* and the *Credietvereniging*.

Although the larger part of the capital was in foreign hands, the management and supervision of the new bank were clearly controlled by the

Dutch. It is also clear that the NCDB was neither a branch of *Bischoffsheim* Paris, nor did it take over "from the outset the Bischoffsheim's banking activities in Amsterdam and Antwerp"¹⁵. If this had been the case, it would certainly have been published in the prospectus or in the first annual report. Louis-Raphael Bischoffsheim's bank in Amsterdam was, in all probability, already closed before 1863, and the Antwerp branch was only acquired by NCDB in 1871.

In a biographical note on Louis Bamberger, the author Erich Achterberg suggests that in 1864 Louis-Raphael Bischoffsheim wanted to start a joint stock bank as a successor to his own banking house. According to the author, it seemed practically impossible to obtain an authorization in France. As a result, Louis Bamberger was supposed to have received the instruction to establish a bank with a head office in Amsterdam and a branch in Paris¹⁶. However, NCDB had already been established in 1863, and there is no indication that Louis Bamberger was personally involved. In his own memoirs he does not make any reference whatsoever to the NCDB project¹⁷. Finally, in 1864 the *Société Générale* was founded in Paris with the direct involvement of Louis-Raphael Bischoffsheim. Achterberg and other authors describe the NCDB as a French bank established in the Netherlands. The later development of NCDB into a more French orientated institution probably influenced this interpretation, which is obviously incorrect¹⁸.

The question remains: Why did Louis-Raphael Bischoffsheim and his associated firms take such a substantial interest in the NCDB? After his departure for Paris he continued to maintain his contacts with Sarphati and to support some of his projects. He had become a shareholder of the *Nationale Hypotheekbank* and took part in other projects. His close friendship with Sarphati could not have been his sole motivation for taking a substantial equity participation in the NCDB. Indeed, they shared a mutual interest in industrial

development. However, on the French side, considerations of international banking strategy were another compelling reason. It explains also the participation of E. Hentsch and A. Pinard in this Dutch venture. The strong economic expansion in France and elsewhere, instigated by *Crédit Mobilier*, had given rise to a fierce rivalry with older, well established banking houses, foremost the Rothschilds. In this so called banking war, they headed the anti-Péreire movement, which in France ultimately led to the creation of *Société Générale*.

During the banking boom of the early 1860s the two opposing camps tried to outwit each other in London as well¹⁹. The Péreires in cooperation with English merchant banks started the *International Financial Society*, whilst their rivals the Rothschilds set up the *General Credit and Finance Company*. In this battle Bischoffsheim, Hentsch and Pinard belonged to the anti-Péreire camp, which explains their involvement in the creation of the *Société Générale* and the *General Credit and Finance Company*. The participation of these three Parisian bankers in the NCDB must be placed in this context.

An additional factor was Péreire's involvement in the short lived *Algemeene Maatschappij voor Handel en Nijverheid* (1863), which brought together important French and Belgian bankers including Isaac Péreire. This made it more obvious that the three were willing to start a new bank in Amsterdam. It is not clear whether Sarphati was fully aware of the underlying aspirations and motives of his partners from Paris. What counted for Sarphati was that he was now able to raise the capital to realise his long standing ambition, a bank for industrial development. The dual origins of NCDB's shareholders go a long way to explain its later development into the French bank, with, as the apotheosis, the creation of Banque de Paris et des Pays-Bas.

The developments between 1863 and 1872

For a description of developments during the nearly ten years of the NCDB's existence, the only sources available are the published annual reports and some announcements in the financial press²⁰. As far as the authors know, there are no other records left, neither in archives in the Netherlands, nor with BNP Paribas in Paris. Only a global reconstruction of what happened during the bank's existence is therefore possible. The economic conditions in the Netherlands under which the NCDB had to start its operations were not very favourable. The year 1863 had seen an explosion of new issues. This was mainly the result of the creation of some large financial institutions, which had adopted the legal form of a limited company (N.V.). Then, rising interest rates and a lack of new ventures depressed the new issue market, which came practically to a standstill during the financial crisis of 1866. Moreover, there was a more structural problem. The financial needs of Dutch trade and industry were insufficient with respect to the ample financial means of these various new banks. Railway construction in the Netherlands, which in other countries often absorbed large amounts of capital, had been undertaken by the state. These infrastructure investments were financed from current state revenue, mainly from the proceeds of the sale of colonial products from the Dutch Indies.

Only one venture was launched by the NCDB, the creation in 1864 of the colonial bank, the *Surinaamsche Bank*²¹. In the share capital of NLG 1,000,000 the NCDB had a participation of 20 percent which was to be placed later with the public. As the interest in this issue was not very high, the bank was forced to keep most of these shares in its own portfolio. According to the annual report, still more than 15 percent of the *Surinaamsche Bank* shares were on its books in 1870. In addition, the NCDB also supported Sarphati by subscribing to shares and bonds

of *Nationale Hypotheekbank* and the *Nationale Bouwmaatschappij*²². However, these participations had disappeared from the balance sheet within a few years.

The slow development of operations in The Netherlands can also be illustrated by the progress of its deposit base. At a very early stage, the bank introduced the interest bearing deposit cash account. This innovative product was regularly advertised in the financial press, and a novelty was that interest rates were published as well. Regardless of these marketing efforts, this type of account did not really get off the ground. After one year, no more than NLG 180,000 was placed with the bank on a balance sheet total of about NLG 16,000,000. Over the years this item would disappear from the balance sheet.

Another service was the safe keeping of securities for clients combined with the collection of interest and dividends and the trading of securities on behalf of the client. This again was an innovation. Although safe custody had been introduced a little bit earlier by some other banks, this new form of modern custody of the NCDB was so far unknown. It is not clear whether this attracted much interest. Nevertheless, other banks would only follow with this type of service after 1890²³.

As already stated above, in the beginning the prospects for financing Dutch industry were not very good. This was the reason why in the annual report 1864 the bank announced that it would concentrate “on the development of its operations in Paris”. Although this was not explicitly published in its reports, there was an office in the French capital from the start²⁴. A separate company, the *Caisse de Prêts pour Avances sur Valeurs françaises et étrangères*, had been established in 1864. Shareholders of the NCDB had obtained the preferential right to subscribe to the issue of the capital of FFR 2,000,000²⁵. No further particulars on this company have been found. Actually, the focus was

on the change of the management structure, which would take effect early in 1865²⁶. A one tier board structure would replace the old dual system. Decisions rested now with the newly created board of directors and the supervisory board was abolished. Three of the six Dutch members of the old board, were reappointed to the new board together with Sarphati and Wertheim. A new member, Hermann Benedict Hayum Goldschmidt²⁷ made his entrée as well. His family relationship with the Bischoffsheims was probably the reason why he was appointed. It is not clear whether he was already associated with the Bischoffsheim firms. Louis-Raphael Bischoffsheim, A. Pinard and E. Hentsch were re-elected, and they were joined by two new Parisian directors: A. Dutfoy of *A. Dutfoy & Cie*, and F.R. Duval. Under the new structure the general managers were “exclusively charged with the conduct of current affairs and the execution of decisions of the board of directors”. The former general managers Maurits Cornelis van Hall and Benedict Jacobsen in Amsterdam were appointed and in Paris Henri Bamberger, Louis Raphael Bischoffsheim’s nephew.

Although the Dutch had a formal majority in the new board, the French set the tone from the first. Economic development in the Netherlands remained modest for the time being. The French segment of the international capital market offered better prospects. A non negligible point was the fact that, with the exception of A.C. Wertheim, the Parisian bankers in general and Henri Bamberger in particular were more sophisticated and versatile than their colleagues in Amsterdam. Moreover, Sarphati had seriously been affected by the death of his wife in 1864. He also had to cope with the financial difficulties of his last construction project, the *Paleis voor Volksvlijt* that was built near the *Amstel Hotel* and was inspired by the Crystal Palace in London. In the meantime, Wertheim started to devote more and more time to the growing activities of his own firm, whilst the lack of banking experience

of the two other Dutch board members became a problem. A formal parity in the board of directors, between Amsterdam and Paris, was reached when one of the Dutch members retired in early 1866 and was not replaced. When Sarphati died in June of that year, the majority shifted to the French side.

Surprisingly, the 1866 annual report only briefly reported his death. Instead, the ongoing deliberations on a French draft bill concerning limited companies were extensively discussed. Awaiting the outcome of the final bill, the seat of Sarphati would not be filled. Obviously a move of the registered office to Paris was already in consideration. A further sign for a change was the statement that the bank had taken the decision to liquidate certain Dutch assets. Contrary to expectations these investments had not met the success some members of the board had anticipated. Another indication was the gesture towards the French shareholders. At the extraordinary shareholder's meeting of 1864, a capital reduction was approved, and the par value per share was reduced to FFR 500 or NLG 235. The now fully paid shares represented a capital of NLG 9,400,000.

In 1866, the results of the NCDB were negatively affected by the international financial crisis which came as the result of the failure of the banking firm, *Overend Guerney & Co.* in London²⁸. NCDB's income from new issues fell substantially, and a loss had to be taken on the holdings in Italian railways. Nevertheless, conditions improved in the following years, and the dividend was gradually raised from 6.5 percent in 1865 to reach 11 percent in 1869.

Nevertheless, the bank was still unable to use its capital to its full extent. As a result, in 1867 the decision was taken to set into motion a buy-back program of 8,000 shares. The shares were acquired at a price corresponding to 90 percent of par value. A few years later in early 1870 the

shares were sold at 124 percent. The timing was particularly successful, as in July 1870 a new setback occurred with the outbreak of the Franco-German war. Fortunately, the panic was short lived, and in 1870 a dividend of 8.4 percent could be declared after reserving the profit made on the buyback operation.

Meanwhile, interesting new developments continued to take place in the organization. Initially, it seemed that again more emphasis would be put on the activities in the Netherlands as prospects in the market seemed to improve. As a consequence, in April 1869, the two vacancies on the board of directors that had existed since 1866 were filled by two Dutch bankers, Gideon M. Boissevain of *Holjé & Boissevain* and A.J. von Hemert of *Alstorphius & Von Hemert*. Both firms were active in the introduction of American railway securities on the Amsterdam Stock Exchange. *Alstorphius & Von Hemert* ran an administration office, jointly with *Mallet Frères* of Paris, which had been involved with the *Algemeene Maatschappij*. They issued depository receipts against the original shares of foreign companies. In the annual report of 1869 nothing was said about moving the bank's headquarters to France, whilst this had been used as the explanation for not filling the vacancies on the board of directors. Later in the year, Benedict Jacobsen took his retirement as general manager in Amsterdam. His place was taken over by Von Hemert, who gave up his seat on the board of directors. He decided to liquidate his own firm. Its activities were taken over by the NCDB.

Notwithstanding these latest developments, opportunities for new business abroad proved to be very promising. At the end of 1869 a branch was established in Geneva. Not knowing how this came about, it must be assumed that E. Hentsch, who came from Geneva, played a key role in this expansion abroad. This branch was supposed to have a high profile as well known Genevans Arthur Chenevière, Louis Lullin,

James Odier and Count Sautter de Beaugard joined the bank's executive management committee. Further expansion in Belgium took place in 1870, and early in 1871 the NCDB established two branches. In Brussels, it was able, "under favourable conditions, to continue the activities of a first class banking house". Although the annual report did not reveal its name, from others sources it is known that this first class bank was *Bischoffsheim & De Hirsch*²⁹. After the death of the Antwerp general manager of *J.R. Bischoffsheim*, the NCDB opened its second branch in Belgium. It was announced that the branches in Belgium would function as "a natural bridge between Amsterdam and Paris". It might be that Joseph Cahen³⁰ of Amsterdam, who was about to establish himself in Paris, was supposed to play a similar role. Early 1871, in the annual meeting he was appointed to the board of directors, taking over the position of Hermann Benedict Hayum Goldschmidt who apparently no longer lived in Amsterdam.

The merger in 1872

Around 1870 the NCDB started to expand on a truly international scale. With its head office in Amsterdam, the bank now had branches in Paris, Geneva, Brussels and Antwerp. However, most of the business was conducted in Paris. Henri Bamberger, the managing director of the Paris branch, was de facto the leading man. Most of the business was conducted by him, and in reality he supervised the branches.

As a result of the outcome of the Franco-German war, a change in the strategy of the bank was announced in September 1871. Negotiations had started between Banque de Paris and the NCDB, with the purpose of merging both banks into a new joint stock bank. For the NCDB it was more logical, as the essential of its activities had already been moved to Paris for quite some time. Moreover, the Dutch authorities obliged the NCDB to place the remaining shares of its

authorised share capital in the market. To circumvent a complicated juridical situation the solution would be to transfer the registered office to Paris and bring the bank under French jurisdiction.

At the same time the Banque de Paris, created in 1869, was engaged in a reorientation process. The Paris banking world was confronted by all sorts of actions, instigated by the Rothschilds. They were completely against the new joint stock banks. They separated more and more from their allies in order to follow resolutely an independent course. The collapse of the *Crédit Mobilier* in 1867 and the death of the baron James de Rothschild in 1868 may have played a part in these rather dramatic changes. When in July 1871, the Rothschilds of Paris and London effectively monopolized the placement of the first French indemnity loan, Banque de Paris, the NCDB and a number of other banks formed an alliance to strengthen their position in future issues. Shortly afterwards the two banks announced their plan to merge, which was very much welcomed by the Parisian financial community³¹. Through Henri Bamberger, the two banks knew each other well, as they had cooperated in several syndicates.

The Banque de Paris had been capitalised by 2,500 shares with a par value of FFR 10,000 each, on which 40 percent was still to be paid. Their shareholders were first obliged to pay their shares in full. Subsequently, each share was then exchanged into 20 shares of Banque de Paris et des Pays-Bas, with 50 percent paid. Shareholders of the NCDB were offered two options. They owned 40,000 shares in their bank with a nominal value of FFR 500. For each share of the NCDB they could subscribe to one share of Banque de Paris et des Pays-Bas, with 50 percent paid. Alternatively, those who were not willing to participate in the new bank would receive for each share in cash its par value plus a premium of FFR 100. This actually proved later to be an attractive proposal. As it turned out, the shareholder, who had accepted the exchange

offer, not only received a share in the new bank (par value of FFR 1,000 with the obligation to pay on demand the remaining 50 percent), but on top of that, he would receive another FFR 420 as his part in the liquidation surplus of the NCDB. With the creation of the Banque de Paris et des Pays-Bas, the role of the Dutch in the bank had come to an end. Surprisingly Louis-Raphael Bischoffsheim did not join the board, although he probably had the intention to do so³². Did he feel too old? He would die the following year at the age of 73.

The 1st February 1872 Banque de Paris et des Pays-Bas was operational, and the former head office of the NCDB became the branch of the Paris bank. Soon after the merger, Banque de Paris et des Pays-Bas made its first acquisition, the stockbroker *Holjé & Boissevain*. The partner of this firm, Mijnhart. J. Boissevain was appointed as the third managing director.

The main business in Amsterdam remained the introduction of foreign securities in Amsterdam in conjunction with the head office in Paris. In 1884, the government ceased to place directly its bond issues in the market. Together with the *Nederlandsche Handel-Maatschappij* and the *Amsterdamsche Bank*, Banque de Paris et des Pays-Bas formed the first consortium to underwrite a new governmental bond issue.

Over the years the Amsterdam branch continued its activities. In the 1950s, the bank developed itself into a small general bank with several retail offices outside Amsterdam. Meanwhile, the network operated as a separate limited company under the name Banque de Paris et des Pays-Bas Nederland N.V.³³ In 1998 the bank was sold to a Belgian group, which is today known as *Dexia*. Under the name, *Banque Artesia Nederland*, the bank still operated from its old office on the Herengracht in Amsterdam, where it all began in 1863. In 2006 *Dexia* sold their interest to *GE Capital*.

It is interesting to note that since 2005 BNP-Paribas is again active in the Netherlands through the acquisition of the two small private banks *Nachenius Tjeenk & Co* (1790) and *Insinger de Beaufort* (1779).

Concluding remarks

This article describes the pre-history of the Banque de Paris et des Pays-Bas, in particular the creation and the development of its Dutch founding institution, the *Nederlandsche Credit-en Deposito Bank* or alternatively *Banque de Crédit et de Dépôt des Pays-Bas*.

This bank was the initiative of Dr. Samuel Sarphati of Amsterdam, and it would represent the unique cooperation between Dutch and French bankers. Distinguished bankers helped Sarphati to realize his objective to stimulate industrial development in the Netherlands. Sarphati was not deterred by the fact that the bank was predominately owned by French interests. What was important for him was the fact that management was exercised by his compatriots. None the less, over the years management would slip into the hands of his Parisian backers. This was due to the modest economic growth in the Netherlands, the premature death of Sarphati and the more sophisticated banking know-how in Paris. Of course, an exception should be made for the very astute Dutch banker A.C. Wertheim, who was so much involved in the bank. The talents of Henri Bamberger, the general manager of the Paris branch of the NCDB, were also a determining factor. He had the capacity to compensate the lack of growth in the Netherlands with new business in France and abroad.

The objectives of Louis-Raphael Bischoffsheim and his partners appear to be more complex and did not necessarily coincide with those of Sarphati. In all likelihood, Louis-Raphael Bischoffsheim like the Rothschilds wanted to create his own banking dynasty. The Rothschilds, based on

the confederation between the five brothers, succeeded into accomplishing this. Louis-Raphael Bischoffsheim's handicap was that he had to work with related partners who each had their own agenda. This made the continuation of the Bischoffsheim's firms vulnerable. The joint stock bank must have been for him an attractive alternative. Considerations of international banking strategy were in play as well. The fierce rivalry with Pereire's *Crédit mobilier* led to Bischoffsheim's alliance with Edouard Hentsch and Alphonse Pinard. Maybe, unconsciously, at the end of his life, Louis-Raphael Bischoffsheim saw the foundation of the Nederlandsche Credit- en Deposito Bank as a first step towards his ultimate ambition, a strong and viable international bank.

Was it not tragic, that neither he nor Sarphati had the satisfaction to see how the new joint stock bank developed and what course it was to take? Like the merger by the integration of the Dutch bank into Banque de Paris to form Banque de Paris et des Pays-Bas. Nearly a century later Paribas³⁴ would become one of the two pillars of one of the world's leading international banks, today BNP PARIBAS.

Bernard van Marken
Dr. Piet A. Geljon

Bernard van Marken is a former partner of Pierson, Heldring & Pierson in Amsterdam and a former director of MeesPierson. Dr. Piet A. Geljon is the former chief economist of Bank Mees & Hope in Amsterdam.

The authors wish to express their gratitude to Pierre de Longuemar, chairman of the Association pour l'Histoire de BNP Paribas, for his stimulating support in preparing this article, as well as to Gaëtan Wehry, member of the association. Clémence de Martène, Anne-Claude Hamon and Maryvonne Véjux, who work for the same association, also contributed to the completion of the original article.

Bibliography

- Achterberg, E., Müller-Jabusch, M., *Lebensbilder deutscher Bankiers aus fünf Jahrhunderten*, Frankfurt: Knapp, 1964.
- A. Allfrey, *The Goldschmidts*, London: Think Publishing Ltd, 2004.
- Bamberger, L., *Erinnerungen*, Berlin: Reimer, 1899.
- Bergeron, L., *Les Rothschild et les autres. La gloire des banquiers*, Paris: Perrin, 1991.
- Bonin, H., *Le monde des banquiers français au XXe siècle*, Editions Complexe, 2000.
- Bussière, E., *Paribas, Europe and the World 1872-1992*, Antwerp: Fonds Mercator, 1992.
- Chapman, S., *The Rise of Merchant Banking*, London: Unwin Hyman Ltd., 1984.
- Cottrell, P.L., « Anglo-French Cooperation 1850-1880 », *The Journal of European Economic History*, vol. 3, nr.1, Spring 1974.
- Cottrell, P.L., *Investment banking in England 1856-1881*, New York-London: Garland, 1985.
- Emden, P.H., *Money Powers of Europe in the nineteenth and twentieth centuries*, London: Sampson Low, 1937.
- European Association for Banking History e.V., *Handbook on the History of European Banks*, Aldershot: Edward Elgar Publishing Co., 1994.
- Ferguson, N., *The House Rothschild II, The World's Banker 1849-1999*, New York: Weidenfeld & Nicolson, 1998.
- Geljon, P.A., *Geschiedenis van de algemene banken in Nederland 1860-1914*, Amsterdam: Nederlands Instituut voor het Bank- en Effectenbedrijf, vol. III, 2005.
- Hentsch, R., *Hentsch, Banquiers à Paris au XIXe siècle*, 1996.
- Hentsch, R. *De mère en fille. Histoire des familles Hoskier, Appert, Girod, Hentsch*, 1997.
- Hirschfeld, H.M., *Het ontstaan van het moderne bankwezen in Nederland*, Rotterdam: Nijgh & van Ditmar; 1922.
- Hirschfeld, H.M., 'De plannen van Dr. S. Sarphati voor de stichting eener Maatschappij voor Nederlandsche Volksvlijt in 1857', *Economisch-Historisch Jaarboek*, 10, The

Hague, 1924.

de Jong, A.M., *Geschiedenis van de Nederlandsche Bank*, vol. 1, Haarlem: Enschedé, 1967.

Jonker, J.P.B., *The link between past and future, 275 years of tradition and innovation in Dutch Banking*, Amsterdam: MeesPierson, 1997.

Jonker, J.P.B., *Merchants, Bankers, Middlemen. The Amsterdam Money market during the first half of the 19th century*, Amsterdam: 1996.

Kauch, P., « Jonathan-Raphael Bischoffsheim 1808-1883 », *Magazine de la Banque Nationale de Belgique*, Janvier, 1951.

van der Kooy, H., and de Leeuwe, J., *Samuel Sarphati 1813-1866, een biografie*, Amsterdam/Antwerp: Atlas, 2001.

Kurgan-van Hentenrijk, G., *Dictionnaire des patrons en Belgique*, Bruxelles, De Boeck Université, 1996.

Kymmell, J., *Geschiedenis van de algemene banken in Nederland 1860-1914*, Amsterdam: Nederlands Instituut voor het Bank- en Effectenbedrijf, vol. I, 1992, vol. II, 1996.

Martin-Acéna, P., "Cooperation and Competition in European Banking 1850-1914", *Bankhistorisches Archiv*, Beiheft 26, 1994.

Rijxman, A.S., *A.C. Wertheim 1832-1897; Een bijdrage tot zijn levensgeschiedenis*, Amsterdam: Keesing, 1961.

Schulte, K.H.S., *Bonner Juden und ihre Nachkommen bis um 1930*, Bonn: Röhrscheid, 1976.

Stoskopf, N., *Les patrons du Second Empire. Banquiers et financiers parisiens*, Paris, Editions Picard/Cénomane, 2002.

de Vries, M., *Tien jaar geschiedenis van het Nederlandsche Bankwezen en de Nederlandsche Conjunctuur 1866-1876*, The Hague: Martinus Nijhoff, 1921.

de Vries, Joh., Vroom, W., de Graaf, T., *Worldwide Banking, ABN AMRO Bank 1824-1999*, Amsterdam: ABN AMRO Bank, 1999.

Zucker, S., *Ludwig Bamberger, German Liberal Politician and Social Critic, 1823-1899*, Pittsburgh: University of Pittsburgh Press, 1975.

Main sources

National Archief, The Hague (NA):
Archives of the Nederlandsche Bank (ADNB)
– 2.25.08. Berichtgeving van personen en instellingen, inv. nrs 6256, 6263, 6269, et 102047 – 102051. ADNB inv. nr 6281. ADNB inv. nr 9217.

Amsterdamsch Effectenblad, 12th May, 20th May, 26th June 1863, 7th and 9th April 1864, 15th November 1864 and 7th June 1865.

De Nederlandsche Financier of 9 November 1871 and 24 February 1872.

Endnotes

- 1 See Eric Bussière, *Paribas, Europe and the World 1872-1992*, (Antwerp, 1992), pp. 20-2; European Association for Banking History e.V., *Handbook on the History of European Banks*, (Aldershot, 1994), p. 246; Erich Achterberg, Maximilian Müller-Jabusch, *Lebensbilder deutscher Bankiers aus fünf Jahrhunderten*, (Frankfurt, 1964), pp. 208-10. Hubert Bonin, *Le monde des banquiers français au XXe siècle*, (2000), pp. 43-4. Youssef Cassis, *Capitals of capital* (Cambridge, 2006), p. 50. Among all these authors, only H. Bonin gives all the right names of the founders.
- 2 Earlier studies are Hans M. Hirschfeld, *Het ontstaan van het moderne bankwezen in Nederland*, (Rotterdam, 1922); Hans M. Hirschfeld, 'De plannen van Dr. S. Sarphati voor de stichting eener Maatschappij voor Nederlandsche Volksvlijt in 1857', *Economisch-Historisch Jaarboek*, 10, (The Hague, 1924); M. de Vries, *Tien jaar geschiedenis van het Nederlandsche Bankwezen en de Nederlandsche Conjunctuur 1866-1876* (The Hague, 1921). For a later description see J. Kymmell, *Geschiedenis van de algemene banken in Nederland 1860-1914*, (Amsterdam, vol. I, 1992, vol. II, 1996).
- 3 Naamloze Vennootschap (N.V.)
- 4 *Crédit mobilier* was created in 1852 by the brothers Pereire and became, under their management, a powerful and dynamic bank. Following the example of the *Société Générale de Belgique*, the bank created by King William I of the Netherlands in 1822 in Brussels, this new institution made itself, both in France and abroad, a promoter of large enterprises of all kinds. It made up a veritable financial group with interests in mining, big credit institutions, insurance companies, building companies and utilities. In 1866/67, the *Crédit mobilier* was shaken by a severe crisis as it had tied up to much of its capital in loans to the *Compagnie immobilière*. The Pereires were forced to resign, and the bank went into decline.
- 5 J. Kymmell, *Geschiedenis*, volume 1; P.A. Geljon,

- Geschiedenis*, volume III, pp. 83-144.
- 6 Managing partner of R. Mees & Zoonen (1720), which became Bank Mees&Hope, MeesPierson and finally Fortis Bank as the result of the mergers in the Dutch banking sector over the years.
 - 7 Netherlands Indies Commercial Bank.
 - 8 Association of Securities Dealers that have a seat on the Amsterdam Stock Exchange, today part of Euronext.
 - 9 Became Amsterdam-Rotterdam Bank and then ABN AMRO as a result of the concentration of banks in the Netherlands.
 - 10 At that moment, the Amsterdam Stock Exchange was buoyant. At the introduction of the *Rotterdamsche Bank*, only 1.7 % of the subscriptions were allotted. (P.A. Geljon, *Geschiedenis*, volume III, pp. 230 et 337).
 - 11 Publication in the *Amsterdamsch Effectenblad*, 20 May 1863.
 - 12 Probably Benedict Moritz Jacobsen (1833-1898), related to the Goldschmidts through his mother Rebekka and his sister Pauline who married a cousin, Benedict Moritz Goldschmidt. See A. Allfrey, *The Goldschmidts*, (London, 2004).
 - 13 Edouard Hentsch (1829-1892) was the son of a Protestant banker from Geneva. He took part in the creation of the NCDB as well as of the Société générale, the Banque de Paris et des Pays-Bas and the Banque de l'Indochine in Paris. As chairman of the Comptoir d'Escompte de Paris he contributed to its development during the 1870s. As a consequence of his involvement in the Comptoir's collapse in 1889, he was ruined and died in 1892. Nicolas Stoskopf, *Les patrons du Second Empire. Banquiers et financiers parisiens*, (Paris, 2002) ; Robert Hentsch, *Hentsch, Banquiers à Paris au XIXe siècle*, (1996) and Robert Hentsch, *De mère en fille. Histoire des familles Hoskier, Appert, Girod, Hentsch*, (1997).
 - 14 Alphonse Pinard (1815-1871) was seen as one of the best bankers of his time. He was among the founders of the Comptoir national d'Escompte de Paris (CNEP), of the Crédit Foncier colonial and of the Société Générale in 1863. As head of the CNEP, he proved astute and clever in finance. Nicolas Stoskopf, *Les patrons du Second Empire. Banquiers et financiers parisiens*, (Paris, 2002).
 - 15 E. Bussière, *Paribas, Europe and the World, 1872-1992*, pp. 21 et 39 ; Nicolas Stoskopf, *Les patrons du Second Empire. Banquiers et financiers parisiens*, (Paris, 2002).
 - 16 E. Achterberg, *Lebensbilder*, p. 208, shares view of Emden, *Money Powers*, pp. 163 et 218, who dates the foundation of this Amsterdam bank in 1862.
 - 17 L. Bamberger, *Erinnerungen* (Berlin, 1899).
 - 18 L. Bergeron, *Les Rothschild et les autres. La gloire des banquiers*, (Paris, 1991), p. 93, wrongly ascribes that Delahante and Cernuschi played a role in the management of the NCDB. The remark that « cette banque était liée à la haute finance belge et hollandaise » ('this bank was related to Belgian and Dutch private bankers'), p. 55, is also incorrect. In any case, in the Netherlands, the NCDB was completely independent.
 - 19 P.A. Geljon, *Geschiedenis*, volume III, pp. 103-5 ; Société Générale 1864-1964, pp. 24-5 ; P.L. Cottrell, « Anglo-French Cooperation 1850-1880 », *The Journal of European Economic History*, vol. 3, nr.1, Spring 1974, p. 77 ; P.L. Cottrell, *Investment banking in England 1856-1881*, (New York-London), 1985, pp. 104-7 ; P. Martin-Acēna, "Cooperation and Competition in European Banking 1850-1914", *Bankhistorisches Archiv*, Beiheft 26, 1994 ; N. Ferguson, *The House of Rothschild II, The World's Banker 1849-1999*, (New York, 1998), pp. 56-65 et 82-9.
 - 20 Copies of the annual reports can be found at the Dutch National Archives, The Hague, ADNB inv. nr 9217.
 - 21 Became Nederlandsche Handel-Maatschappij, then ABN AMRO and finally DSB.
 - 22 In 1864, the bank bought bonds of the Nationale Hypotheekbank. At the end of the same year, when the Nederlandsche Bouwmaatschappij was launched, the NCDB either subscribed to the new shares or alternatively bought shares on the stock exchange.
 - 23 Notice in the *Amsterdamsch Effectenblad*, 26th June 1863. Concerning the other banks, P.A. Geljon, *Geschiedenis*, volume III, pp. 423-25.
 - 24 In the *Amsterdamsch Effectenblad*, 12th May 1863, the address 8 rue Drouot is given.
 - 25 *Amsterdamsch Effectenblad*, 7th and 9th April 1864.
 - 26 *Amsterdamsch Effectenblad*, 15th November 1864 and 7th June 1865.
 - 27 Son of Benedict Hayum Salomon, and nephew of Louis-Raphael Bischoffsheim.
 - 28 On the London market a speculative bubble had developed over the years as a result of the many share issues of new banks and other companies. This came to a sudden end when a series of spectacular bankruptcies occurred. The demise of the banking firm *Overend, Guerney & Co.* in May 1866 caused a real panic, which for a long time affected the public.
 - 29 Offspring to Bischoffsheim, Cassel & de Hirsch. G. Kurgan-Van Hentenrijk, *Dictionnaire des patrons*, pp. 55 and 173.
 - 30 The Amsterdam banker Joseph Cahen (1810-1880), should not be confused with Meyer Joseph Cahen (d'Anvers) who was probably his nephew. This confusion can be explained, as Joseph Cahen would also establish himself as a banker in Paris, although this was around the year 1870. In 1863, Joseph Cahen was involved with the foundation of the Algemeene Maatschappij, the rival of the NCDB. Nicolas Stoskopf, *Les patrons du Second Empire*, pp. 109-111 and Klaus H.S. Schulte, *Bonner Juden und ihre Nachkommen bis um 1930*, (Bonn, 1976), pp. 139-141.
 - 31 Ferguson, *House of Rothschild*, II, p. 213; E. Bussière, *Paribas, Europe and the World, 1872-1992*, pp. 25-29.
 - 32 This can be concluded by comparing the notices in the *De Nederlandsche Financier* of 9 November 1871 and 24 February 1872.
 - 33 The bank changed its name to Banque Paribas Nederland N.V. in 1984.
 - 34 *Banque de Paris et des Pays-Bas* changed its name to *Paribas* in 1982.

From Corporate Government to Foreign Policy: a Comparison of Baring-Rothschild Influence in South America, 1824-1914

Corporate government has become the cornerstone of modern economies. This is why today, avoiding the disastrous difficulties of past times, companies have developed and strengthened structures supporting corporate government, allowing them to develop as entities and interact with stakeholders from the establishment of their business and onwards. Although, during the last financial crisis in 2008, corporate government and its precepts have been tested again, it is still a fundamental part in the advance of global business.

Throughout history, corporate government has adopted diverse styles, allowing companies to take advantage of global dimensions. A clear example of this, is the amount of financial entities that have consolidated their transactions in many countries during the nineteenth century. Some commercial and financial houses were important during the process of nation building in some territories, and their financial capability allowed them to grow their influence beyond the economic field and consolidate an influence in the political area. In the cases of Brazil and Argentina, two countries that forcefully participated in nineteenth century's economy, the relationships held with Baring Brothers and Rothschilds were vital in this process. Nevertheless, it must be recognized that these relationships brought advantages to both sides: these countries were commercially important to the Empire and British business, and for the South American countries, both the Empire and British business were relevant in the consolidation of their independence process. Under these conditions, the banking houses became both their bankers and advisors, joining their economic and political progress. This relationship soon went beyond a purely commercial nature and became an influence in economic issues, sometimes in the foreign

policies of these countries, based on a style of corporate government that focused on the development of financial and commercial business.

The Rothschild House, linked closely to Brazil, and Barings to Argentina, showed different types of influence characterized by the specific characteristics of each company's corporate government view of business strategy; yet, both countries achieved similar results in consolidating economic and political influence in their respective nations. It was this level of influence and close relationships that ensured these Houses were involved in complex situations, that unleashed serious instabilities upon their business, and likewise, in the economic progress of Brazil and Argentina, generated the evolution of a new management structure and the development of international financial business at the end of World War I.

Introduction

The change in the economic dynamic of European countries that was accomplished after the finalization of Napoleonic wars allowed the accumulated capacity to detach itself from war efforts and instead be directed to productive activities. With the passage of time this provided a chance to transform the capital into financial capital. Thus, began a long process of global liquidity that opened the doors to many merchant bankers active in the European financial centers to venture into far and remote independent territories, and in some cases, territories that were not yet established.

Inside Latin America, the countries that first caught the attention of bankers were those which, during colonization, were important suppliers of raw materials to Spain and Portugal,

although they were also involved with those territories that were not yet so significant as Argentina, Brazil, Mexico and Peru. Meanwhile some commercial bankers started a process within Europe and to a lesser extent within the United States. Some others adventured into Latin America, where many were not able to survive the financial crisis of 1825 due to their high level of exposition and possibly to a corporate structure that did not look to develop business in the long term. Rather they looked only to opportunities for immediate big business, giving rise to the South American bubble (Ferguson, 1998), in which Rothschild and Baring had not involved themselves either directly or indirectly. This meant that many of the bankers in the first round of funding in Latin America were not present in the second.

The ability to see that there existed a certain level of political maturity and to predict the opportunities of Latin American countries to become more involved in international markets and in the exchange of goods, allowed many commercial banks to establish a new strategy: for example using an intermediary structure, or representation offices, like Baring's in Argentina in the first years of independence, through John Parish Robertson (The Baring Archive, Series HC4, 4.1.3., 1), or getting involved directly through banking and merchant business.

Rothschild and Baring quickly began to involve themselves in South American trade, but retained focus in the two countries that could sustain the success of their business in the future. Brazil and Argentina became important business centers for both banking houses, to the point of finding themselves drastically involved in a diverse amount of economic transactions, and in an extended exposition in some cases. This business strategy was set in the context of specific objectives, which were sustained within the policy of corporate government of the banking houses and the important network of political and diplomatic contacts. They had the essential

ingredients to be able to succeed in international markets, which was not something that all banking houses had, as in the case of Vienna's bankers (Ravage, 1928) at the beginning of the nineteenth century, which, while relevant in local markets, were internationally disjointed.

Nevertheless, their influences were so strong in these countries that corporate government sometimes deeply influenced economic policy decisions to the point of becoming a part of a foreign policy strategy for both countries and commercial banks. In the case of Rothschild and Baring, their diplomatic capacity was a part of their corporate strategy, and hence, of their corporate government parameters, where their interests influenced foreign policy of the countries, letting aside their national interests, in order to create an environment preferable to the banking houses' interests.

This paper reviews the importance of the business relationships with Brazil and Argentina for these banking houses, and likewise, how important it was for these countries to have these prestigious worldwide bankers providing backing support, achieving in many instances a relationship that went from dependency to strategy, as it was the case for Brazil and its connection to the British Empire during the nineteenth century (Granados, 2009). Nevertheless, in some cases this influence transformed the manner in which countries shaped their economic policies during the long nineteenth century, in spite of an exporting summit unique in South America. This allowed these countries to benefit considerably from the exterior trade and British funding: from 5.2 million pounds in 1825 to 734.6 million in 1913, over the 62.3% of British investments in Latin America (Stone, 1977). Where the connection of local capitalists to trade and growth processes in their countries reduced the influence of British merchants (Donghi, 2002), this left room for many international bankers to strongly finance the strategic sectors of Brazilian and Argentinean economies. Thus, it is established

that Baring and Rothschild used a diplomatic corporate strategy rather than a commercial one, which allowed them to develop business in Brazil and Argentina, principally, over other banking houses.

Corporate Government and International Strategy

It is possible to establish that nineteenth century bankers were built on a basis of free market, exchange of goods, and territorial expansion. This is in spite of the fact that international economy had been sustained previously through the commercial exchange, the colonial closed structure, the rivalry and the wars. The interaction was global, regardless of the existence of a central core that was forming in Europe. The possibilities of economical advancement were not solely focused on the exchange with the East Indies; the benefits that could be reaped from the Americas to sustain the process of capital accumulation were clear, while trade continued with Asia (Madison, 2007). Through that which was obtained from precious metals, trade financing was possible, a fundamental part of merchant banks. These entities were therefore accustomed to structuring their transactions through connections with nations and foreign agents in different latitudes, which enabled them to guarantee their accumulation capacity and its transformation into financial capital. For this a permanent link with governments and businessmen was necessary; these were the key players in the decision making process, or held advising positions in the new nations, or often, advised over the direction in the European balance.

In the case of Rothschild and Baring, their vision of international business and their wide network of contacts in the diplomatic, political and business sphere, increased their chances to advance as institutions, showing no interest in connecting with local and retail banking in Europe. In this way, business and international finance were part of their strategy, guaranteed by

the success that had been the exterior trade over centuries and which was now a vital element necessary to strengthen the accumulation process, sustained over the high economic growth: this was a time of peace, something unusual in European history.

Although England's aristocratic connections with Baring's and Rothschild's were only a minority in the banking community (Chapman, 1984), they were fundamental for the economic structure of the Empire, and in turn, as financial diplomats, who enjoy the advantages that come with the type of relationships they had. It is important to highlight the weakness of the Spanish and Portuguese monarchies and the effect of that weakness over international trade (Davis, 2006), allowing the entry of new actors that would enjoy important benefits that had previously been enjoyed by Spanish and Portuguese for over 300 years. As new actors in these economies the banking houses differentiated themselves as having significant interests in international business, rather than on local and domestic finance activities, and their objectives were centered on foreign loans, public finance and the international debt markets.

Parallel to their business objectives, the corporate government policy of these banking houses was sustained through family structures and underlying loyalties. In the beginning of European concert and the business opportunity that was becoming evident, Rothschild distributed themselves across strategic points in Europe, and likewise, they achieved many connections with different intermediaries and entities in other places (Comte-Corti, 1929), a situation Barings had held for some time already and which had allowed their corporate structures, such as John and Francis Baring & Co., Sir Francis Baring & Co. y Baring Brothers & Co., to develop business anywhere in the world, through their intermediaries and joint ventures of trade and financing (The Baring Archive, House Correspondence Old Series).

In their Latin American business strategy, Rothschild felt more comfortable with structures like the Brazilian Empire, such as the recently conformed nations of Colombia (Ferguson, 1998). Possibly it was because of the centralization of monarchical power, something that can be confirmed by their advance through Europe, and the relevance of the dynasty, empire financing, and its objectives: "A family like the Rothschild's, with its considerable resources, could carry on their shoulders, if not all of a loan to the government, at least a good part of it" (Lottman, 1996). Baring established an approach that allowed it to strengthen its diversified portfolio in different parts of the world, and at the same time to always look for new business opportunities that would satisfy its objective of profitability and security. This was achieved through mechanisms of association or correspondence, resulting in business from Canada to Argentina, passing by Australia, Russia and Africa, always getting a benefit from their closeness to the British imperial structure.

In this way, corporate government was focused on achieving higher performance through connections with international business, where it could achieve important benefits for the shareholders and, at the same time, that was relevant to the political structure and interests of the British Empire. Clearly, for both entities it was important to achieve higher profitability, and that is why they got involved in transactions where, implicitly or explicitly, they had political support from the Brazilian or Argentinean Government, or directly from the British Empire.

This was achieved following rough competition in Europe, where in Amsterdam's financial markets Rothschild's was interested in copying the success of Baring's, as in many different English markets, through its subsidiary Hope & Co (Ferguson, 1998), and likewise, in the financing of different countries after the Napoleonic wars,

when Rothschild's succeeded in winning business to finance Prussia and other nations. This made it possible for the banking house to establish itself in the broader financing of European countries during the nineteenth century, as an alternative to Baring's and other banking houses.

It is not until after 1820 that the international strategy of these entities, and in general of several merchant banks, turned to the domestic financial markets in England (Ross, 2004). In spite of this international strategy, the connection between local and foreign markets was relevant for these entities in achieving the necessary links to the Latin American emissions on the surplus markets of Europe; the crisis of Baring House, caused by its overexposure in Argentina in 1890, impacted the stability of London's market and other European markets, making it possible for the Bank of England to establish itself as lender, and thus, to offset the possibility of a financial collapse.

From Corporate Strategy to Foreign Policy

The first entry of the Rothschild house into Brazil was in 1823 through a loan to Portugal, endorsed by the incomes from its colony, for an amount of 1.5 million of pounds (The Rothschild Archive, REF. 000/401A/5). From this moment on, this relationship was further established through the financing of important activities throughout the nineteenth century, and by the credit syndicate formed with other important banks during the twentieth century such as Baring's and Schroeder's. In spite of these extended relationships, the connection between Rothschild and Brazil was sustained through a strategy that allowed the country to fulfill its objectives on economic policy through the financial sustainability provided by Rothschild's. This does not mean that there weren't other financial entities, internal or external, that were linked to the Brazilian process of export and economic advance. The reason why Rothschild's was so

relevant is that this banking house managed to provide the necessary resources to the Brazilian government, or to some of its states, in relevant moments for the development of its economic policy, and in the moments of decision making over macroeconomic stability issues.

Transactions as important as the credit of over 6 million of pounds in 1856 to finance the military device, the repeated credits during the final decade of 1880, which ended with their refunding in 1889 by more than 19 million pounds, and the credit for over 8 million pounds in 1898 in order to stabilize public finance (Dean, 2000), which obligated the devaluation of the currency from 100 reis gold to 470 reis paper (The Rothschild Archive, 000/401F/12_37-3). These were the exact transactions required to solve economic difficulties, which always developed during the diverse availabilities of capital surpluses on the monetary European markets (Marichal, 1988). Global liquidity was fundamental for Baring-Rothschild strategy in Argentina and Brazil; with the political connections and their clarity on corporate policy, the development of financial business was easily financed. The war of Brazil and Argentina against Paraguay (1865-1870) could be sustained thanks to the process of external financing by these entities, since there wasn't enough surplus in the export summit.

This is complemented by a number of transactions prior to First World War, which added to the actions taken by many Brazilian states that, since the Constitution of 1891, were allowed to

contract their own debt (Granados, 2010). Not to mention the credits that sustained the coffee economy before 1929 crisis, that are not part of this analysis, but that became key elements in reinforcing the coffee industry, that depended more and more on the manipulation of the prizes based on Taubaté Agreement, and not over its own productivity in international markets. This was a very influential part of its foreign economic policy, keeping local landowners satisfied, but generating a macroeconomic misbalance in the country.

In Argentina, the Baring connection to the nation building process was also strong, in spite of occasional times were the aggressiveness of other banking houses displaced its leadership in the financing of the government. Such situations forced Baring to strengthen its position in Argentina, looking for diverse transactions that finally led them to an excessive exposure in Argentinean values, which produced a significant vulnerability for Baring in any situation that would affect the export summit or the capital flows. What was not expected, happened; a high instability in trade flows, social disconformities and a political revolt, that significantly affected the free advance of Baring's business to the point of not having the capacity to sell Argentinean values in European markets. This forced the Bank of England to call for the largest banks to lead a rescue operation, headed by Rothschild House. Paradoxically, this crisis allowed Baring's to regain its leadership in influencing the economic reforms and the financing of Argentinean

Table 1
Participation of Baring-Rothschild Loans.
Total of Argentinean and Brazilian Government Loans

Country	Amount	Participation	Valor (Millions of British Pounds)	Participation
1850-1875				
Argentina	7	57.1%	13.5	44.7
Brazil	8	100%	23.5	100%
1880-1890				
Argentina	50	14%	77.9	34.2% ^a
Brazil	8	50%	38.9	95.4%

^a The 1886 and 1889 Central Government operations was credit syndicate.

Source: The Baring Archive Series HC4, The Rothschild Archive 000/401F, Marichal (1988)

government during the last decade of nineteenth century, up until First World War. In the process of renegotiation of foreign debt, Baring's got 7 of 8 contracts, rejecting the contract that was cancelled with J.S. Morgan (Marichal, 1988). Nevertheless, a new power was ahead of them in the Argentinean financial market: the merger between the J.S. Morgan firm and its American counterpart J.P. Morgan.

It is clearly visible (Table 1) how the interaction of Rothschild House in Brazil was stronger than Baring's in Argentina, where there was still opportunities for other entities to establish themselves. The connections in Argentina with other banking houses generated a displacement for Baring, showing that the political closeness with the Argentinean government was not as strong as that which Rothschild had achieved with the Brazilian Empire. Likewise, it can be confirmed that in the moment that Brazil became a Republic, and its states had the opportunity to directly access credits, combined with new sources of financial capital, Rothschild began to yield its participation in the Brazilian market, while keeping an important connection with Central Government.

It is important to mention that the funding for railroads, after the war with Paraguay, in the Brazilian case, wasn't directly related to government loans, but to private investors who linked

themselves to the process. This is unlike what happened in Argentina, where the government took responsibility for organizing the railroad infrastructure through external funding. The subsequent economic consolidation of Brazil and Argentina allowed many competitors to enter into the financing of the governments, and the search for new business horizons led indeed to the loss of leadership for Baring House in Argentina to much smaller firms, but those which demonstrated more aggressive strategies in structuring financial transactions. Rothschild in Brazil had a very close relationship with the Imperial Government, so in spite of several attempts by other banking houses to enter the lucrative market of Brazil's international funding, Rothschild was the one who provided the best sale prices for its bonds in London's market.

So, it is confirmed that the strategy of both banking houses was aligned with certain countries that could provide better benefits, in general, to the British economic structure: not only in matters of profitability of credit transactions, but also in the possibility of future connections in trade, financing and investment activities. Aside from this, they were also involved at crucial moments in broader Latin American economy during the nineteenth century, but these relationships with other states were based on momentary export summits and not structural issues, as was the case in Brazil and Argentina. That is why the Brit-

Table 2
British Investment in sectors linked to Argentinean and Brazilian Government, 1865-1913
(in millions of pounds)

	Sector	1865		1875		1885		1895		1905		1913	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Argentina	Government Loans	2.2	81.2	16.5	73.0	26.7	58.1	90.6	47.4	101.1	39.7	184.6	38.5
	Railways	0.5	18.8	5.1	22.4	15.3	33.3	81.7	42.8	120.6	47.4	219.2	45.7
	Utilities	0	0	0.9	3.9	1.8	3.9	7.1	3.7	19.5	7.6	35.9	7.5
	Subtotal	2.7	100	22.5	99.3	43.8	95.3	179.4	93.8	241.2	94.8	439.7	91.6
	Total Investment ^a	2.7	100	22.6	100	45.6	100	190.9	100	254.5	100	479.8	100
Brazil	Government Loans	13.0	64.3	20.4	65.8	23.2	48.8	52.4	56.4	83.3	67.8	119.6	46.9
	Railways	5.4	26.5	6.4	20.6	17.1	35.9	33.1	35.6	24.0	19.5	59.1	23.2
	Utilities	0.8	4.1	2.8	8.9	3.6	6.4	3.3	3.6	6.6	5.4	55.0	21.6
	Subtotal	19.2	94.6	29.6	95.8	43.9	92.2	88.8	95.6	113.9	92.7	233.7	91.7
	Total Investment ^a	20.3	100	30.9	100	47.6	100	92.9	100	122.9	100	254.8	100

^a Total British Investment in all sectors
Source: (Stone, 1962)

ish investment was focused clearly on these two countries, and on financing these governments and its infrastructure projects, sometimes imposed by British commercial objectives, though also allowing the Brazilian and Argentinean economies to advance. (See Table 2)

Conclusions

Rothschild-Baring strategy was determinant in the financing of the capitalist development in Brazil and Argentina to the point of considerably influencing the decision making processes in economic policy, and to act as advisors and critical backers when these governments were undertaking any project to strengthen their export capacity. Also, these banking houses advised the governments over the definition of which activities could be the most attractive for their economies, without putting aside their own benefits from these transactions.

The financing of the war against Paraguay was an example of how focused their interests were on gaining an advantageous position and directing the Brazilian and Argentinean foreign policy, because, without this financial support, it is possible this war could had taken a different course. Although Rothschild succeeded in maintaining its influence on Brazilian politics and economics over a longer time, Baring's had to overcome, in several times, the misbalances of the Argentinean economy and its estrangement from the political structure. Nevertheless, the political changes were crucial in that detachment, both in Brazil and in Argentina, allowing the entry of new banking houses that were interested in the strengthening American economy.

Oscar Granados-Erazo

Researcher in

Universidad Externado de Colombia.

Managing Director of Hisbruck Ltd.

oscar.granadoserao@gmail.com

Bibliography

Primary Sources

- The Baring Archive. London, England. Series HC4
The Baring Archive. London, England. House Correspondence Old Series
The Rothschild Archive. London, England. 004/401F

Secondary Sources

- Chapman, S. (1984). *The Rise of Merchant Banking*. London: George Allen & Unwin.
- Comte-Corti, E. (1929). *La Maison Rothschild*. Paris: Payot.
- Davis, J. (2006). The European economies in the eighteenth century. In A. D. Vottorio (Ed.), *An Economic history of Europe* (pp. 92-134). New York: Routledge.
- Dean, W. (2000). La economía brasileña 1870-1930. In L. Bethell (Ed.), *Historia de América Latina, Vol. 10: América del Sur 1870-1930* (pp. 333-369). Barcelona: Editorial Crítica.
- Donghi, T. H. (2002). America Latina independiente: economía y sociedad. In T. H. Donghi, W. Glade, R. Thorp, & L. Bethell (Ed.), *Historia económica de América Latina* (pp. 9-48). Barcelona: Editorial Crítica.
- Ferguson, N. (1998). *The House of Rothschild. Money's Prophets 1798-1848*. New York: Penguin Group.
- Granados, O. (2010). De La hegemonía Británica a la Estadounidense. Una transición económica en Brasil y Argentina, 1870-1930. *Revista de Relaciones internacionales, Estrategia y Seguridad* , 5 (2), 50-62.
- Granados, O. (2009). La reconfiguración brasilera y el Imperio Británico, 1822-1914. ¿Dependencia o estrategia? *Revista de Relaciones Internacionales, Estrategia y Seguridad* , 4 (2), 39-64.
- Lottman, H. (1996). *The Rothschild. the great banking dynasty through two turbulent centuries*. London: I.B. Tauris.
- Maddison, A. (2007). *Contours of the World Economy, 1-2030AD. Essays in Macro-Economic History*. New York: Oxford University Press.
- Marichal, C. (1988). *Historia de la Deuda Externa de América Latina*. Madrid: Alianza Editorial.
- Ravage, M. (1928). *Five Men of Frankfurt: The Story of the Rothschilds*. New York: Lincoln MacVeagh.
- Ross, D. M. (2004). Industrial and commercial finance in the interwar years. In P. Johnson, & R. Floud (Eds.), *The Cambridge Economic History of Modern Britain* (pp. 403-427). Cambridge: Cambridge University Press.
- Stone, I. (1977). British direct and portfolio investment in Latin America before 1914. *The Journal of Economic History* , 37 (3), 690-722.
- Stone, I. (1962). *The Composition and distribution of British Investment in Latin America, 1865 to 1913*. Doctoral Thesis: Columbia University.

The Nordic Banking Systems: Similarities and Differences in their Origins and Developments

1. The Banks that became Central Banks

1.1. Sweden

Today, few people remember the name of Hans Wittmacker. Yet, he was responsible for the foundation of the first bank in the Nordic countries, and he was the originator of the wonderful instrument of the banknote, albeit inadvertently. Born 1611 in Riga to Dutch parents, he had travelled widely and spent much time in Amsterdam. In Amsterdam, Wittmacker had become acquainted with the Amsterdam Wisselbank.

The Amsterdam Wisselbank was a very special and venerable institution, although it is debatable to what extent this bank was really a bank at all. If a “bank” is narrowly defined as an institution taking deposits from the general public and making loans also to the general public, the Amsterdam Wisselbank was not a bank, but looser or wider definitions of “banks” could also be applied.

The inspiration for the foundation in 1609 of the Amsterdam Wisselbank was found in Venice, where consecutive banking crises had led the City Council to set up the Banco della Piazza di Rialto in 1587.

Most of the archives of the Banco della Piazza di Rialto have been lost, but its main features were known and copied – with some variations - in several European cities.²

It was hardly a pure coincidence that Hans Wittmacker should settle in Stockholm in 1647. Numerous Dutchmen had settled in Sweden before him and had done extremely well. In fact, it is difficult to overestimate the significance of the influx of Dutchmen (and other foreigners) into Sweden in the 17th century.³

Wittmacker offered his services to the Swedish government, where he quickly rose to a top position in the administration of financial and commercial affairs (“Kommercekollegiet”).

He became ennobled under the name of Johan Palmstruch, which is the name he is remembered by, to the extent that he is remembered at all.

In 1656, he persuaded the King (Karl X Gustav) that what Sweden needed, was a bank. The proposal, dated 12th Jan. 1652⁴, explained the advantages to the Crown, including savings of metal and profits from the banking operation, and the conveniences it would provide for the commercial community in their payments transactions, which could be derived from the “...einrichtung einer Wechsel Bancq, umb nach der Venetianer, Amsterdamer, Hamburger etc, gebrauch und weise ein ander mit Bancq brieflein zu bezahlen.”

This shows that facilitating payments by account-to-account transfers (i.e. giro business through the use of “brieflein”) was the main objective of these banks, not extending credits.

The proposal was not agreed to immediately, but in 1656 Palmstruch received a charter, “... Oss Elskeligh, Edel och Wälb. Johan Palmstruch sigh vnderdånigst offererat och tilbodat hafwer tillijkja medh sine Compagnie Medhparticipanter några vissa Wexelbänker i Wårt Riijke och Provincier, effter andra Städens ovh synnerligen Amsterdams och Hamborgs Vijs och Exempel, att anställa och vid Mact hålla.”⁵

The “Venetianer, Amsterdamer, Hamburger gebrauch und weise” consisted of a system whereby the respective “banks” essentially consisted of two halves. One half, the Amsterdam Wisselbank etc, would take non-interest bearing deposits in all the various currencies circulating at the time and convert them to a common book-keeping unit (the florin). Deposits could be withdrawn on demand at a rate of exchange against the book-keeping unit determined by the “bank”. This half of the “bank” would also arrange payments by account-to-account transfers

(“giro” business) against fees. Drafts (“brieflein”) drawn against accounts with the Amsterdam Wisselbank became the undoubted means of payment all over Europe in the 17th and 18th centuries. Making loans was, however, not part of the business of the Wisselbank. This had been “outsourced” to the “Bank van Leening”, a separate legal entity making up the other half of the “system”, which funded itself with interest bearing deposits and, to some extent, with loans from the Wisselbank.

This was the “system” for which a thirty-year charter was given to Palmstruch and his associates, but which was overtaken by events.

The events which destroyed Palmstruch can be briefly summarized as follows:

Like other banquiers, goldsmiths, moneylenders, etc. of this period, Palmstruch issued receipts for the deposits received in the “bank”. After a while, these receipts were not issued against specific deposits in specific amounts – as elsewhere – but in general and in round amounts. In other words, the bank note had been born in the year of the Lord, 1661. This is what earns Johan Palmstruch, born Hans Wittmacker, an eternal place in the history of finance. The problem was that the government, much against the original ideas, had found that this “bank” was an easy source of credit, and that this led to a virtually unlimited issue of bank notes, about sixty years before John Law engineered a similar thing in Paris. When the market became flooded with these banknotes confidence in them was lost, depositors wanted their metal money returned, and the party was over. The Crown reimbursed the depositors at a substantial cost. In a subsequent trial (1667), Palmstruch was sentenced to death, but this was converted to a jail sentence. He was released after four years, but died a few months later.

The advantages of having some sort of a “bank” had, however, not been lost on neither the “riksdag” (the “ständersforsamling”) nor the Crown.⁶ So, in 1668, the king, Karl XI (1660-97) decided to authorize the riksdag to create a new bank on

the ruins of the defunct Palmstruch Bank. The new bank took over the assets and liabilities of Palmstruch’s bank, but the charter⁷ was not issued to any individual person. Instead, the new bank was placed under the administration of the Assembly of the Representatives of the Estates (“ständersforsamlingen”). The lesson from the Palmstruch debacle was that the Crown should not have too easy access to credit. For most of the next one hundred years the Bank and the Crown would squabble over credit requests.

In 1866, when the “ständersforsamling” was replaced by the Riksdag (“parliament”), the Riksbank continued to be the responsibility of the Riksdag, not the government. During most of the 20th century, when the government was based on the party/ies enjoying a parliamentary majority, this arrangement had little practical significance. Apart from the administration and control by the Estates⁸, there was no material difference between Palmstruch’s Bank and the new bank, named “Sveriges Riksbanks Ständers Bank”, since 1866 simplified to “Sveriges Riksbank”, (the present name, referred to below as the “Riksbank”). This made the Riksbank⁹ the oldest of those banks, which later developed into “central banks”, preceding the Bank of England by 26 years.

Comparing the Riksbank to the Amsterdam Wisselbank and the Hamburger Bank, the main similarities and differences can be summarized as follows:

- a) Like in Amsterdam and Hamburg, the Riksbank (like Palmstruch’s Bank) was established without any paid-in capital. Whatever capital they had was the result of retained earnings only. “Ownership” was, in both cases, essentially defined by the guarantee issued by, respectively, the City of Amsterdam, Hamburg, and the Assembly of the Estates.¹⁰
- b) Like the Amsterdam and Hamburg Banks, the Riksbank was designed as a pure deposit and exchange (“wissel” or “wechsel”) bank. The demise of all the Venetian banks in both the 15th and 16th centuries had been caused by ex-

cessive lendings to too few borrowers. Therefore, it had been forbidden for the new Banco della Piazza di Rialto to undertake any lendings at all, a clear case of over-reaction. This restriction had been copied by the Amsterdam Wisselbank and the Hamburger Bank with a few exceptions, and in Stockholm. Therefore, the “Bancowärk”, as it was called in the Royal Charter and the Estate document, was divided into two parts, the “Wexel-Bank” and the “Lähne-Bank”, each with its own separate administration and accounts. For the “Wexelbank” the lending prohibition read (§ VIII of the Sept. 22 Estate Doc): “Wexel-Bankens Penningar och medel skola för ingen deel, vnder hwadh prætext thet och skie kan.....röras och angrijpas, eller i handel och wandel brukas och användas...” (SEA’s translation: “The Exchange Bank’s money and means cannot to any extent, and under no pretext whatsoever, be touched or attacked, or be used or applied in commerce or trade...”).

c) Like in Venice, Amsterdam, and Hamburg, the main activities of the Riksbank was to accept deposits in all the various kinds of money in circulation, and to keep those deposits in a vault without interest, and to make account-to-account transfers (giro business) against fees. However, while in Amsterdam it was a requirement that all bills of exchange exceeding a certain amount had to be settled through account-to-account transfers in the Wisselbank, no such requirement was introduced in Stockholm. Therefore, few merchants found it attractive to have accounts with the Riksbank, and the giro business never really got off the ground. The main source of deposits in the Wexelbank were the taxes, customs, and duties to be received by the Crown and which were required to be paid into the Crown’s account with the Bank.

d) Another difference was the treatment of different currencies. In Amsterdam and Hamburg, accounts were kept in one currency only. In Sweden, four different currencies were legal tender in most of the 17th and 18th centuries, and a royal decree from 1644 had dictated that

all financial contracts had to be settled in the currency in which they had been incurred.¹¹ Therefore, deposits made in daler copper mint could only be withdrawn in daler copper mint, etc. Very few exchange transactions, if any at all, ever took place in this “exchange bank”.

e) The activities of the Lähne-Bbank (“Loan Bank”) were described in relatively few of the 76 paragraphs in the Estate Document, listing the main types of collateral which could be accepted (almost anything except perishable goods), and dictating the rates of interest to be applied.

The Riksbank had originally been intended as two institutions primarily assisting commercial companies with payments transfers (giro) and credits, cfr: “...Wexle-Banker ther ... må blifwa anstälte och vprättade, eftersom förmedelst Wäxlars, assignationers och Anvijssningars Credit, kraft och eftertryck all then principaleste och förnämste handel och wandel...hafwa theras riktige gång och swäng...”.¹² It was strictly forbidden to issue anything having the slightest resemblance to banknotes, cfr. § 71 of the Estate document: “...inga Zedlar eller andra, som ther til kunna hafwa liknelse...här effter i thetta wärket brukas, men aldeles wara afskaffade och förbjudne.” Thus, the irony is that the institution, which calls itself the oldest central bank in the world, started its life formally forbidden to issue anything in the shape or likeness of banknotes (the Amsterdam Wisselbank also did not produce anything in the shape of banknotes). This did not prevent, however, that some pieces of paper used by the bank as customer receipts for deposits and payment transfers (“transportsedlar”) found their way to the general public and were increasingly used as means of payment. So, in 1726, these notes were officially declared legal tender.

By the mid-18th century, the Riksbank had ended up as completely the opposite of what had originally been intended: It had become a note-issuing bank with the government as its biggest customer, and it had become a large mortgage

lender. To the business community, which it was originally intended to serve, it was never of much relevance, neither as a lender nor as payment intermediary (giro business).

1.2. Denmark-Norway

It took a disastrous fire destroying most of central Copenhagen (1728), a change of government (early 1730s), and the arrival in Copenhagen of a particular foreign gentleman and his son for the idea of forming a bank in Copenhagen to take root. The Danish ambassador to Sweden was asked to report on the workings of the Riksbank, but the Swedish (Venetian/Amsterdam/Hamburg) model was rejected.

The type of bank for which a royal charter was finally issued (1736) looked conspicuously like the Bank of England. It was a private note-issuing joint stock bank. The nature of the deliberations producing this result are not known,¹³ but the fact is that a certain Mr. Jean Huguetan, a wealthy French financier of doubtful reputation, had recently arrived from London and had quickly become quite influential in Danish court circles. His services to King Christian VI (1730-46), included financing a substantial part of the new royal palace, and earned him the title of Count Gyldensteen. His son, Mr. Henri Desmercières, was given a central position in the newly created “Ministry for Commercial Affairs” which was entrusted with i.a. the task of making a proposal for a banking operation. In fact, Mr. Desmercières and his father appear to have pushed this project to the top of the agenda.

Mr. Desmercières and his father had been concerned that it might prove difficult to get the share capital subscribed. They had been prepared that it might take up to four years to collect the money, but the 500.000 rigsdaler share capital decided upon was sold within a week. Count Gyldensteen and his son took approximately ten pct, and the royal family also took about ten pct. The remaining ca. 80 pct was scattered among 285 shareholders.

The main points of the new “Kiöbenhavnske As-

signation-Vexel-og LaaneBanque” (in the following referred to as the “Kurantbank”, for reasons given below) emerge from its three constitutional documents, consisting of (1) the Royal Charter,¹⁴ (2) the more detailed Banking Regulation, dated Nov. 5, 1736, and (3) the Shareholder Agreement (the “Banque-Convention”, strangely, undated). The main points of these documents can be summarized as follows:

a) The purpose was explained to be that “...en saadan Banque kand være af største Nötte, saa vel i henseende til Commerciens og Manufacturers Befordring, som til et retskaffen Credit-Væsens sikre og uforanderlige Vedligeholdelse...”¹⁵ A very similar wording was used also in later legislation on the Nationalbanken i Kiöbenhavn (1818), repeated in 1908, and in the Nationalbank Act of 1936, cfr. below.

b) The Bank’s notes were to be legal tender: “...Banquens Billetier, eller Banco-Sedlarne...skulle over alt i Vores Riger og Lande, have deres fri og ubehindrede Löb og som reede Penge gaae fra Haand til anden, indtil deres Belöb udi Myndt in Nature i Banquen affordres...”¹⁶ Convertibility of the banknotes into silver was suspended between 1745 and 1747, and suspended again in 1757 until the dissolution of the Bank in 1813.

c) It emerges from the Bank’s name and documents that its business was supposed to consist of exchange business as well as giro (“assignment”), bill discounting, and lending. The “Banco-Reglemente” is full of instructions regarding the nature of acceptable collateral, and is somewhat ambiguous on mortgage lending. The basic lending philosophy was summed up admirably in the Shareholder Agreement, § 17 (the “Banque-Convention”) as follows (SEA’s translation): “Concerning more loans, all of which cannot really be specified here, it will be up to the good judgement... of the Commissioners, on the one hand that they do not lend the Bank’s money, and particularly not large amounts, except against the best possible security, and not to others than such as those to whom they

would not entrust their own means, but on the other hand, that they are not too difficult, which could hamper the Bank's income and functioning, which it is otherwise hereby sought to enhance for everybody's benefit."

This admirably sums up the everlasting dilemma of banking. Basel III will not provide the magic answer to this basic problem.

The Kurantbank was nationalized in 1772. The shareholders had their shares exchanged with fixed interest bonds. H.C.Schimmelman, the "finance minister", had decided that the ownership by the Crown would give him more freedom of action, both in his large private affairs¹⁷ and as "finance minister".

In the final years of the 18th century, the government's fast-growing expenditures caused an explosive growth in the volume of banknotes issued by the Kurantbank, and therefore a sharp downward pressure on their value. Therefore, a new bank was formed, the Danmark-Norges Speciesbank (1791), with strict requirements for the silver coverage for its banknotes. This was the origins of the distinction between the "Speciesbank", which issued full value money and the old bank, which then became known as the "Kurantbank", i.e. the issuer of "current", or debased currency.

In the end, when Denmark got caught up on the losing side of the Napoleonic wars, neither of these banks survived. Shortage of silver prevented the Speciesbank from ever attaining a size that could make it a bank of relevance, and the Kurantbank continued to spawn an uncontrolled volume of notes (war financing), which, like big white snowflakes, were dissolved the moment they hit the ground.¹⁸

The Kurantbank was closed in 1813 in connection with the bankruptcy of the Crown, and the Speciesbank was wound up in 1817.

What the Kurantbank had in common with Sveriges Riksbank was that both had been set up to assist the business community, but in both cases the government ended up being by far the biggest borrower, the intended giro business never

really materialized, and neither of these banks was of much use to the to the commercial world. The Crown/state¹⁹ bankruptcy of 1813 was followed by a brief interlude during which the longer term cleaning-up of the chaos was planned. One of the results of these contemplations was the foundation in 1818 of the Nationalbanken i København with a 90 year charter. Just as the Swedes had concluded after the demise of Palmstruch's Bank, and as the fate of the Kurantbank had amply demonstrated, governments should not have too easy access to credit, and therefore, the 1818-Charter for the Nationalbanken i København, today's Denmark's central bank, provided for it to be a private joint stock bank (as the Kurantbank had originally been) completely detached from government finances or influence, cfr. §1 of the charter (SEA's translation): "We (i.e. the king) give for Ourselves and Our successors the Royal promise that no command from Us or Them shall ever influence the management of the Bank, which is to be bound alone by its Charter and Regulations."

This promise has actually been kept, even if modified by the 1936 National Bank Act, cfr. below. Thus, Denmark's central bank has always been the most independent of the Nordic central banks.

The declared purpose of the Bank is of some interest, partly because it was essentially repeated when the Charter²⁰ was renewed in 1908, and again in the 1936-Act, and partly because it served as a model for the Bank of Finland (cfr. below). The purpose emerges from §§3 and 5 (SEA's translation): "The Bank's foremost objective is and will be to establish and secure a safe monetary system in the country ("...befæste et sikkert pengevæsen...") (§3), and (§5): "The... purpose of the Bank is to promote the money circulation ("...fremme Penge-Omløbet...") by loans and discounts in order to facilitate production, commerce, and trade...".

It may be thought that these two paragraphs established the Nationalbanken i København as a central bank, but that was far from the

case. The Bank, the only bank in the country in the first half of the 19th century, considered its commercial activities of prime importance once it had cleaned up the mess, and in the 1850s it opposed the foundation of private banks in order to protect its own position and profits. In this respect it did, however, not differ from the Bank of England, Banque de France, Sveriges Riksbank, Norges Bank, or the Bank of Finland. They were all primarily commercial banks until the early 20th century (with some modifications for the Bank of England since 1844).

The 1936 National Bank Act changed the status of the Bank from that of a private joint stock company to a self-owned institution, and the name was changed to “Danmarks Nationalbank”. The shareholders were given fixed-interest bonds in return for their shares (like in 1772). The last of these bonds were redeemed around 1960. A board of directors and an assembly of Representatives were created with representatives from the Folketing (“Parliament”), the trade unions, and various business organizations. These bodies do not, however, have any say in the conduct of monetary policy.

1.3. Finland

When in 1809 Sweden lost Finland to Russia, most of the Swedish administrative system remained in force in Finland, with financial and foreign affairs as the main exceptions. The Åbo (Turku) branch of the Riksbank was closed, but Swedish money continued to circulate in Finland (to the very limited extent that a monetary economy existed at all in Finland at this stage). The Czar Alexander I decided almost immediately that his new Grand Duchy should have its own bank, and that the new bank should be modelled after Sveriges Riksbank²¹, but there was, in fact, little resemblance. There were no “two halves”, and St. Petersburg had supplied it with a small amount of capital. It was placed under the “care and guarantee” of the Senate – an assembly headed by the Russian appointed Governor-General i.e. indirectly, but very strongly, control-

led by the Imperial Court. Until late in the 19th century, very few decisions were left for the local management to decide. Most lending decisions were taken in St.Petersburg.

The purposes of the new bank were to (a) assist with the refinancing of mortgage debt owed by Finnish landowners to Swedish creditors, and (b) to assist with the financing of agricultural and commercial investments, and (c) to promote the circulation of money and, in that connection, to replace the circulation of Swedish money with Russian rubles. However, it was not until 1842 that Swedish money was finally declared illegal in Finland, following a renewed charter in 1840 with no fewer than 161 articles.

In the 1860s and 70s, the Bank of Finland went through several reforms, which included a replacement of the rubel with the finmark (1860) following the Crimean War and the collapse of the rubel, more efforts to attract deposits, the introduction of overdraft facilities, the opening of branches in major cities, and the transfer of responsibility for the Bank from the Senate to the Assembly of the Estates (1877), like in Sweden²². The Bank’s main objectives had been stated in 1875 as (SEA’s translation) “... to ensure ... stability and reliability in the country’s money system, and promote and facilitate the circulation of money.”²³ The Bank’s charter, revised in 1877, described the activities of the Bank as (SEA’s translation): “The Bank of Finland issues banknotes, buys and sells gold and silver, bonds and government paper, Russian and foreign bills of exchange and payment orders, grants monetary loans and overdraft facilities, and receives monetary deposits.” The Bank of Finland displayed – like the other future central banks in the late 19th century – a clear mixture of central bank and commercial banking features.

The governor was still appointed by the Czar, and lending policies and major decisions were still made in St.Petersburg until Finland gained its independence in 1917. Since 1917, the governor has been appointed by the president of the Republic of Finland, not by the government, a

reminiscence of the “old Russian” system.

It was not until the 1950s that the Bank of Finland gradually renounced on its commercial activities competing against the private commercial banks for the business of the largest industrial companies.

1.4. Norway

Norwegian banking history started shortly after the Congress of Vienna had confirmed the separation of Norway from Denmark and its attachment to Sweden as compensation for the loss of Finland, and a reward for having sided correctly in the late stages of the Napoleonic wars. The King of Sweden was now also King of Norway, and Norwegian foreign affairs were taken care of by the government in Stockholm. A Swedish governor-general was appointed (until 1873) with residence in Christiania (today's Oslo). Domestic affairs were decided by a local government under a new constitution providing for an elected “Storting” (“parliament”). Financial matters were considered “domestic” (in sharp contrast to Finland's position) and were, in principle, arranged by the Norwegians themselves. Real life was somewhat different.

Under the Danish rule, the Danmark-Norges Speciesbank had had a couple of branches in Norway, but they had been too small to have been of any significance. Having a “real” bank had for a long time been a top priority for the Norwegians, and now, under the new political set-up, they could have it.

It now turned out that the newly found (1814) Swedish crown prince²⁴, since 1818 King Karl XIV Johan, took a keen interest in financial matters and could not refrain from meddling in the Norwegian banking plans.

In any case, after two years of heated debates in the new Storting, two laws were passed on 14th June, 1816, relating to Norway's future money and banking system: (1) “Loven om pengvæsenet” (the Money Act”), whereby the currency system was to be based on the speciedaler coin with a silver content of 25.281 gr. of pure

silver (equal to the old Danish speciedaler). The circulating money would consist of banknotes issued by a new bank, Norges Bank. As from 1818, these notes would be Norway's only legal tender. In 1873 it was decided to replace the speciedaler with the krone at the rate of four kroner to one speciedaler and to join the gold standard. In 1877, Norway joined Denmark and Sweden in the Scandinavian Currency Union in which one Norwegian krone equalled one Swedish and one Danish Krone, and all three currencies were legal tender in all three countries. (2) “Loven om Norges Bank” (the “Norway's Bank Act”) which provided the 73 paragraph charter for Norges Bank, and which can be summarized as follows: (a) The Bank was to be a joint stock company located in Trondhjem with a (modest) share capital to be collected regionally by specific criteria. Voluntary subscriptions raised less than half of the target amount. The rest was raised as forced subscriptions. It took nearly three years and much agony to collect, not because the amount was particularly large, but because Norwegians have traditionally been very reluctant to invest their savings outside their own local communities.²⁵ (b) The Bank's activities would be to issue banknotes, to offer credits regionally in proportion to region's forced share capital subscriptions, and with a maximum maturity of six months, to take deposits, and offer clearing/giro facilities. Interest was not to exceed five pct. p.a. (except on discounted bills, where market rates could be applied). (c) Branches were soon set up in Christiania, Bergen, and Christiansand, and by 1914 it had 20 branches. (d) Although the Bank was a private company, it was to be managed by a supervisory board (“repræsentantskab”) of 15 members and a management group (“direksjon”) of five members, all appointed by and reporting to the Storting. Even the branch-managers were appointed by the Storting. The shareholders would receive their annual dividends, but otherwise had no influence whatsoever on the Bank.

By its constitutional set-up, the Norges Bank had a number of similarities with other European banks, which later became central banks, but it also differed on certain points: Like Sveriges Riksbank and the Bank of Finland, Norges Bank was under direct parliamentary/government control, but in contrast to those banks it was a private joint stock company, like the Bank of England, Nationalbanken i København, and the Banque de France. Like the Banque de France and the Bank of England (both partially) and Nationalbanken i København, Norges Bank had a monopoly on banknotes. Unlike the Bank of England and the Nationalbanken i København, the shareholders had absolutely no influence of any kind on the affairs of Norges Bank. In this respect it strongly resembled the 16 years older Banque de France. Given the French birth²⁶ of Norway's new king (crown prince at this point of time), and given his known interest in financial matters and the strong governmental position he held even when only crown prince, some French influence is hardly surprising.²⁷

Following heated discussions and opposition from the provinces, the headquarters of Norges Bank were moved to Christiania (Oslo) in 1897. The nationalization of Norges Bank in 1949 – possibly inspired by similar actions in the UK and France in the wake of World War II – never made any practical difference, since the Bank had always been completely government controlled. The question is only if the shareholders were reasonably compensated. At end-1950, the share capital was NOK 35 mill and the reserves were booked at NOK 65 mill, giving a theoretical value of 285 pct of par, but the shareholders were given a cash payment of only 180 pct of face value.²⁸

2. The Commercial Banks

2.1. Sweden

In the late 18th and early 19th centuries, Sweden had a number of financial institutions²⁹ known as “diskonterna”, indicating that their main business was the discounting of bills. They were mostly private joint stock companies, some of them with a share capital partly supplied by the government, but they also depended on cheap loans from the Riksbank, and they all operated under government charters. They took deposits and made loans. There is no doubt that they were “banks” by virtually any definition, and they served the useful purpose of channeling the savings surplus in the Stockholm area to other regions with savings deficits, and particularly to the financing of the extremely costly construction of the Göta Canal. They were tightly girdled by lending restrictions (e.g. small maximum amounts per borrower), but this did not prevent them from faltering during the economic gyrations in the wake of the wars of 1809 and 1812-13. They also did not observe the lending limitations laid down for them. By 1817 they were all gone, even if it took many more years to sort out the problems of some of them, not without costs to the government. They remain a bracket in Swedish banking history. However, their special status of a mixture of private and public institutions made them quite unique in European banking history. The banking act³⁰ passed in 1824 had a much more long-lasting impact, and was the first banking act to be passed in any of the Nordic countries. With only four paragraphs, this banking act was laudably brief. This sort of brevity did not last forever. Later banking acts were more long-winded than was customary in the other Nordic countries until it all became harmonized under EU rules.

The essence of the four paragraphs was that citizens could now, in principle, freely form banks at their own initiative on the conditions that the owners would submit articles of association for approval by the government, and that the owners

would be jointly liable for the obligations of the bank (“en för alla och alla för en”). Charters would be granted for ten years, and it was made clear that no government financial assistance of any kind could ever be had under any circumstances (§4: “...att samma Inrättningar hvarken nu eller någonsin framdeles skola kunna påräkna något understöd af Allmänna medel, samt att under ingen förevändning, Staten må kunna blifva, mera i deras, än i andra enskilda företag, inblandad eller på något sätt komma att bidraga till deras upprätthållande...”). It took more than 80 years before this stipulation was broken, but by then several other banking acts had been passed. The 1824-Act also did not specify any particular capital requirements, only that it should be adequate for the intended business (“...Bolagets Fond af den betydighet, att det åsyftade ändamålet... derigenom vinnas...”, §3).

The 1824-Act said nothing about note-issuing rights. Gradually, however, the receipts issued by these banks for deposits began to circulate as means of payment, and these notes were eventually generally accepted as banknotes. In 1897, however, it was decided to end the note-issuing rights of the enskilda banks with effect as from 1903.

The reason for the simplicity of the 1824-Act was that it was feared that too many specifications might implicate the government in the fate of the banks, which would be a violation of the § 4, i.e. the resolve never to have to contribute in any way or by any means to the existence or the operation of the banks.³¹

Between 1830 (it took six years before the first bank was created under to the 1824-Act) and 1886, approximately thirty banks were formed according to the 1824-Act. Eventually, they all included the word “enskilda” in their names. The largest of them, Stockholms Enskilda Bank, was founded in 1856, and merged with Skandinaviska Banken in 1972 (originally the Skandinaviska Kreditaktiebolag, formed 1864) to form the present Skandinaviska Enskilda Banken (SEB). In 1934, the enskilda banks were given the op-

tion to transform themselves into limited liability joint stock companies. They all did so, but kept the “enskilda” in their names.

In the meantime, two other banking acts had been passed: The 1846-Act, which required banks to have a paid-in capital of at least SEK one mill, and made the granting of charters conditional of a convincing argument that a proposed bank would be useful to society (§1: “...prövning... huruvida Bankinrättningen kan vara för landet nyttigt.”) This requirement was taken quite seriously. An application to form a bank in Malmö was refused for the reason that the Riksbank already had a branch in Malmö, and that was enough, and another application to form a bank in Lund was refused, because Lund was a university city, and the presence of a bank might tempt the students to incur excessive and unwise debts. The 1846-Act was the result of a growing scepticism towards banks, which in some quarters had been seen as too powerful and meddling too much in local politics.

The 1886-Act (43 paragraphs) was the first Swedish banking act addressed directly at joint stock banks with limited liability. Already in 1864, the Riksdag had accepted that joint stock limited liability companies formed under the 1848 Companies Act could engage in banking, provided a royal approval of their by-laws had been obtained, and without note-issuing rights. Under the 1886-Act, charters were given for 20 years, a capital of min. SEK one mill. was required, and a reserve fund had to be built up. Also, banks formed under this act were forbidden to trade in anything else but gold, silver, foreign exchange, and interest bearing securities (i.e. trading in e.g. commodities, real estate, and shares was forbidden). The largest and best known limited liability banks formed in this period were Skandinaviska Kreditaktiebolaget, 1863, (later re-named Skandinaviska Banken), and Stockholms Handelsbank, 1871, (later re-named Svenska Handelsbanken).

The 1911-Act (260 paragraphs) represented a major banking reform, whereby new limited

liability banks, like enskilde banks since 1846, would also have to demonstrate their “usefulness to society” (“...nyttigt för det allmänna..”, §3), and, for the first time, balance sheet ratios were introduced, whereby deposits in a bank were not allowed to exceed five times the bank’s share capital and reserves, and liquid assets were required to be at least 25 pct. of demand deposits. In addition, banks were given a limited right to trade shares for their own account.

On the eve of World War I, the basic structure of the Swedish banking scene had been laid with three “main banks” having a combined market share of 25-30 pct., and about 40 provincial banks (some 15 enskilde banks and about 25 banks with limited liability).

2.2. Denmark

Private commercial banking (i.e. banks operating without a royal charter) started in 1847, when Nationalbanken i Kiøbenhavn refused to open provincial branches, and a group of business people in Odense (on the island of Funen) then responded by forming their own bank. They did not ask for permission. There was no general prohibition against it, so they just did it. Thus, Fyns Discontokasse was born, in 1847.³² In order to avoid crippling stamp duties, an application including the articles of association was submitted to the Ministry of the Interior, and approved. In the following years, a handful of other banks were formed in the major provincial towns.

In Copenhagen, matters were slightly more complicated because of resistance from Nationalbanken i Kiøbenhavn. When the responsible minister asked Nationalbanken for its opinion on an application to form a new bank (again to escape stamp duties), the Nationalbank replied that there was absolutely no need for other banks in Copenhagen. The minister understood that the Nationalbank was only fighting for its monopoly, and conceded the requested stamp duty exemptions. So, in 1857, Privatbanken i Kiøbenhavn was born. Two years later it had reached the size of all the 12-15 provincial banks combined.

Backed by 12-15 of Copenhagen’s heavyweight merchants, the bank was relatively successfully launched, even if the initiators managed initially to raise only half of the planned share capital from a total of approximately 500 shareholders. On two points the Privatbank resembled the one year older Stockholms Enskilda Bank: Both intended to forge close relationships with industrial and commercial companies, and neither planned to open branches outside their respective home towns, intending instead to be the preferred metropolitan correspondent bank for the provincial banks. This strategy proved not to be the winning one.

The Privatbank’s reputation for being a “Gründerbank” appears to be somewhat exaggerated. The bank, under Mr. C.F.Tietgen’s stewardship, certainly helped the formation and stock exchange introduction of numerous industrial companies, but the bank seems to have acted almost exclusively as a place for subscription to the share issues. At least, the official history of the bank³³ does not suggest in any way that the bank itself ever invested in the shares it promoted, or that if such shares were bought at all, that they were held for very long. What is recorded is that Mr. Tietgen, the bank’s highly profiled general manager, and those of the bank’s board members who followed his advice, invested heavily in these shares themselves and got very rich in the process.

This is noteworthy, since, in contrast to Sweden, there was nothing in Danish legislation to prevent banks from investing in shares (or anything else). In fact, the first set of banking regulations in Denmark was not introduced until the passing of the Banking Act of 1919, nearly one hundred years after the passing of the first banking act in Sweden, and about sixty years later than Finland’s first banking act.³⁴

With 23 paragraphs, the 1919-Banking Act was relatively simple. Its main stipulations were that “banks” could engage in “banking” only, which included trading in precious metals and securities, and offering assistance with setting up

companies. A banking inspector was appointed, and a bank's capital (share capital plus reserves) was required to be min. DKK 200.000 (i.e. one fifth of the requirement in Sweden), and min. 10 pct. of the bank's total obligations.

The new capital requirements did not prevent the banking crisis of the 1920s, when about one third of the approximately 200 banks existing in Denmark just after World War I lost most or even all of their capital.³⁵ Nearly all of the banks actually held substantially more than the minimum capital requirement, which was tougher than that to be introduced under "Basel III". The year before their failures, the failed banks did not generally show weaker balance sheets than the surviving banks. The reason was, of course, that the poisonous exposures had not been recognized in the balance sheets – and usually not even in the minds of the bank managers. In this respect there was no difference between the banking crises of the 1920s, and those of the 1990s and of 2008-9.

In response to the many bank failures in the 1920s, the Banking Act was revised in 1930. The main changes were a tightening of the capital requirement to 10 pct. of total obligations including guarantees, and the introduction of a limitation on individual exposures to 35 pct. of a bank's equity. When the banking act and the savings banks act were brought together in 1974, allowing savings banks to do "banking business", these two requirements were changed to 8 pct and 25 pct. respectively. Later changes under Basel I and II have relaxed the capital requirements considerably compared to the Danish banking regulations of 1974.

The capital requirements contained in the Danish banking acts of 1919, 1930, 1956, and 1974 have all been stricter than those applied in the other Nordic countries. The reduction in 1974 of the capital requirement to 8 pct of all obligations and guarantees was made, because the savings banks could not match the 10 pct requirement.

2.3. Finland

In Finland, private banks grew up late and slowly. The first private bank was created in 1862, and the next two in 1872 and 1889 respectively. In the 1890s, things speeded up so that by the end of the century Finland could boast of no less than ten banks. Part of the reason for the late start was opposition from the Bank of Finland, which had started forming branches of its own mainly to make private banks unnecessary. Opposition from the Bank of Finland was serious, because in contrast to Denmark, Norway, and Sweden (at least between 1824 and 1846), setting up a bank was a matter for decision at the highest political level, i.e. the Senate. The banking acts of 1866 and 1886 made no difference in this respect.

Anyway, following the death of the Bank of Finland Governor in 1861, a group of active people led by Henrik Borgström, one of the leading merchants in Helsinki, obtained an approval for the foundation of a bank. Thus, Föreningsbanken, later known as Union Bank of Finland, was born in 1862 with a permission valid for ten years (as for the enskilde banks in Sweden). Initially, the permission included a limited note-issuing right, but this right was withdrawn in 1886 and was never made much use of. Other banks also had note-issuing rights, but did not use them.

Finland's first banking act³⁶ was largely copied from the corresponding Swedish regulations, i.e. mainly the 1846-Act. The main stipulations were that permissions to form banks would have to be obtained from the Senate. The application would have to contain information on the intended bank's business plan and capital. The share capital would have to be at least 1.5 mill silver mark, about five times as much as in Denmark and Norway, but not much different from Sweden. Banks were forbidden to trade in commodities (other than gold and silver), real estate, and shares (just like in Sweden).

The 1886-Act³⁷ made few, but important changes. First, the minimum capital requirement was scrapped. The Committee, which had prepared the Act, was of the opinion that banking would

best develop to the benefit of the country if it were least constricted by firm regulations.³⁸ Second, the note-issuing rights of the private banks were cancelled. Third, an effort was made to define “banking”: A “bank” was defined as a business (“företag”) engaged in borrowing from the general public by means of deposits or bond issues. Not a single word on lending.

It is always difficult to explain why something did not happen, but it seems plausible that the relatively high capital requirement contained in the 1866-Act (compared to Norway and Denmark) is the reason why rather few banks were formed in Finland and Sweden, which had similar requirements. In Finland and Sweden, the number of commercial banks never exceeded approximately 40 and 80, respectively, while in Denmark and Norway the number reached about 200. A minimum share capital was re-introduced in the Banking Act of 1933 (FIM 10 mill), but an equity ratio was not introduced until 1958, when it was stipulated that a bank’s liabilities could not exceed 15 times the sum of its equity, cash, and claims against the government, municipalities, and other banks. For most banks this appears to have been more lax than Basel II.

Until Finnish banking legislation was harmonized with that of the EU/Basel I (1990), it was mainly laid down in the 1969-Act, which in some ways was strangely old-fashioned. New banks were, e.g. required to be beneficial to society (“... tillgodese ett allmänt intresse...”, §9) like in the Swedish banking acts of 1886 and 1911, and the formation of branches was subject to government approval, like in both Sweden and Norway. The capital requirement was set to four pct of total liabilities as reduced by holdings of cash and claims against public institutions and other banks. The only real novelty of the 1990-Act was the creation of “Affärsbankernas säkerhetsfond” (“The Security Fund of the Commercial Banks”), which was supposed to secure the solvency of the banks and the depositors’ money. Banks had to pay an amount up to five per mille of their assets into this fund.

In the banking crisis of 1988-1992 this fund was soon depleted. Similar funds were formed for savings banks and the co-op banks and were depleted even faster. The lesson is that if any such funds are to be of any use they have to be of an astronomical size, i.e. at least five pct of GNP. Government support for Finnish banks, savings banks, and co-op banks in the 1990s totalled an amount equal to roughly twenty pct of Finland’s 1992 GDP. Half of this amount had been recuperated by 1999, but the net amount was still about ten pct of the 1992 GDP.³⁹

2.4 Norway

Norges Bank was not easy to work with. It was generally reluctant to discount bills of exchange, and would only discount them if they had been endorsed by two persons, one of whom had to reside in a city where it had a branch. This took time, created a lucrative playing field for middlemen, and was expensive. Therefore, in the spring of 1848, a group of Christiania merchants decided to form a bank with a share capital totalling NOK 160.000, a very modest amount.

The leading figure in the initiative was a merchant by the name of F.H.Fröhlich, a merchant of Prussian origins, with banking knowledge from Hamburg and elsewhere. Thus Christiania Kreditkasse, since 1862 Christiania Bank og Kreditkasse, was born in the autumn of 1848, with Mr. Fröhlich as its first general manager. It started very modestly, almost as a pawnbroker shop. Mostly because of opposition from Norges Bank it did not start discounting bills in a major way until the early 1860s, hence the change of name in 1862, but by then it was already a great success, and its share capital had been increased ten-fold. Its efforts to expand into Bergen failed, cfr. fn.25. Its Bergen branch became the core of what later became the Bergen Bank, Norway’s third largest bank between the 1970s and the early 1990s.

In the meantime, another group of merchants, impatient with both Norges Bank and Christiania Kreditkasse, formed Den norske Creditbank

(DnC, 1857), which grew to become the dominating Norwegian bank until the banking crisis in the early 1990s, and it managed to attract share capital from most Norwegian regions. In the wake of the banking crisis of the early 1990s it merged with Bergen Bank to become Den norske Bank (DnB), which had to be rescued by the government.

So, like in Denmark, the banking system came to be dominated by two or three large banks, supplemented by up to two hundred small provincial banks serving mainly their own local communities. In Sweden and Finland, the structure also came to be dominated by two or three “main” banks, but the number of smaller regional banks never grew to the numbers seen in Norway and Denmark.

Norway was the last of the Nordic countries to pass a banking act, with the first banking act passed in 1924. This seems surprising, since Norway was the first of the Nordic countries to have a savings banks act, passed exactly one hundred years earlier, but it reflects the fundamentally different profiles, roles in society and significance for capital markets, which characterized savings banks in those days. In Sweden and Finland banking acts were passed earlier than savings banks acts, but that was only because banking acts in Sweden were passed unusually early compared to any northern European country, and in respect of savings banks, Finland copied Sweden (as in many other respects. The first Finnish savings banks act, 1885, was nearly a direct copy of the first Swedish savings banks act, 1892).

The 1924 Banking Act was the result of fears that the proliferation of banks and the feverishly speculative atmosphere in the closing years of World War I would lead unhealthy competition and unsound transactions. It did, and it caused the banking crisis of the early 1920s, just like in Denmark. Planning a banking act started already in 1917, but it took seven years to work it out. The main points of the 1924-Banking Act were that (a) a bank can do all kinds of business customary

for banks (a nearly circular definition of banking known also from Swedish and Finnish banking legislation), (b) share capital and reserves to equal at least ten pct. of total obligations, and min. NOK 400.000 (roughly as in Denmark), and (c) exposures to a single borrower not to exceed 25 pct of equity.

The 1924-Act was revised in 1961, this time following eleven years of deliberations. The main change was that capital requirements were reduced to 8 pct. (reduced to 6.5 pct in 1972). The attitude was that, since banks could not meet requirements, the requirements would have to be reduced.

Like in Sweden, banking activity in the 1960s, 1970s, and early 1980s were heavily influenced by government policies generally coming under the heading of “selective credit policy”⁴⁰. The 1950 Committee, instructed to propose a new banking act, had been asked also to consider a nationalization of the private banks. The committee did not address this issue, because in the meantime the government had found it more expedient to create a number of state banks, each designed to finance specific government favoured purposes (housing, exports, students, agriculture, etc), and funded by a combination of bond issues, credits from Norges Bank, and government grants.

In the end, just like in Sweden, the many and tight government regulations had to be scrapped. They were increasingly circumvented and caused more harm than good. In the early 1980s, the official attitude of the government was to encourage bank lending, cfr. the following statement from Jan Syse, the Norwegian minister for commerce & industry (SEA’s translation): “We have noted a somewhat luke-warm attitude from the banks towards the acceptance of risk. Let’s now have an effort which can show that there is yet courage and boldness in the bank palaces.”⁴¹ In the following years, bank lendings exploded, followed by the banking crisis of 1990-1993.

Steffen E. Andersen

Steffen E. Andersen graduated in economics from the University of Copenhagen and specializes in monetary theory and policy, and economic history.

He has worked for the Federation of Danish industries, and Danish and foreign banks. Post positions include Head of Nordic Credits, and Senior Adviser to the Management of the Nordic operations of a German bank.

His recent publication: "The Evolution of Nordic Finance" will be published in December 2010; Palgrave Macmillan, ISBN 978-0-230-24155-8

Endnotes

- 1 Mainly based on Steffen E. Andersen: "The Evolution of Nordic Finance", Palgrave MacMillan, Nov. 2010. The present paper does not, however, address the subjects of savings and co-operative banks, mortgage institutions, and stock exchanges.
- 2 Collectively, these banks later became known as "public banks" because they were either formed at the initiative of the city councils in which they were located or guaranteed by those city councils, or both (like e.g. in Amsterdam and Hamburg). However, none of the other public banks ever attained nearly the size, significance or reputation enjoyed by the Amsterdam Wisselbank (although the Hamburger Bank lived much longer). For the history of the public banks, see J.G. van Dillen (ed): "History of the Principal Public Banks" (Cass & Co. Ltd, 1964).
- 3 Among many other Dutchmen who settled in Sweden in this period, special mention could be made of e.g. Willem Usselinx, who was a pioneer in the creation of one of the earliest of the Swedish chartered trading companies, and Louis de Geer, who grew immensely rich from supplying military hardware to the Swedish army, and who large-scale lender to the Crown. Also, when the first city council of Göteborg was formed in 1621, it consisted of seven Swedes, one Scotsman, and ten Dutchmen (cfr. E.Heckscher: "Sveriges Ekonomiska historia från Gustav Vasa", Stockholm, 1949, p. 276).
- 4 Reprinted in S.Brisman et.alt: "Sveriges Riksbank 1668-1918", I-V, (Sveriges Riksbank, 1919-31), Vol.I, Bilaga II.
- 5 Reprinted in S.Brisman et alt: "Sveriges Riksbank 1668-1918", I-V, (Sveriges Riksbank, 1919-31), Vol.I, Bilaga IV.
- 6 The "riksdag" consisted of representatives of the four estates ("ståndar"), convening from time to time, and mostly in opposition to the Crown (i.e. the government). The crown did not hold absolute power, and financial matters in particular needed consent from the Estates through its "Sekrete Uttskuddet" (the "Secret Committee") which dealt with confidential affairs of state.
- 7 "Kongl. May:tz Nådige Försäkring gifwen Rijkens Ständer, på några wilkor och Fördelar til Bankens Bästa", Dat. Stockholm den 17. Septemb. 1668. Reprinted in Brisman et alt: "Sveriges Riksbank 1668-1918", Bd. I, Bilaga VII.
- 8 The control by the Estates was laid down in "Sveriges Rijkens Ständers Beslut och Förordning om Banken i Stockholm, Dat. Den 22. Septemb. Åhr 1668", a detailed document regulating the operation of the two "halves" of the bank in 76 paragraphs. Reprinted in Brisman et alt: "Sveriges Riksbank 1668-1918", Bd. I, bilaga VII.
- 9 Whereas almost no records have survived from Palmstruch's Bank, the archives of Sverigs Riksbank are remarkably well preserved. The main balance sheet figures 1693-1924 have been reprinted in Brisman et alt: "Sveriges Riksbank 1668-1918", Bd. V (Sveriges Riksbank, 1931). The assets are shown as the combined assest of the two "halves" of the "Banco-Wärk", while the liabilities are shown separately for the Wäxelbank and the Låhnbank until 1829.
- 10 Originally, the Fourth Estate (i.e. the farmers) refused to participate in the project. They did not become co-guarantors until late in the 18th century. The guarantee is expressed in § 1 of the document referred to in fn 7.
- 11 The rate of exchange between the four currencies used (the gold ducate and the riksdaler species, both of which were used almost exclusively in settlement of foreign transactions, and the daler silver mint and the daler copper mint) was fixed by royal decrees ("mynt placater") issued from time to time. The death penalty for using market rates of exchange instead of the official rates was never practiced.
- 12 Quoted from the Preamble to the Sept. 22, 1668 Estate document referred to in fn 7. SEA's translation: "...exchange banks which might be established and created, since bills of exchange, assignations and credit transfers have greatly and forcefully facilitated the main and most noble trade and commerce..."
- 13 The birth of the bank has been examined by Dr. E.Rasmussen in: "Kurantbankens Oprettelse", (Historisk Tidsskrift 1950-52), pp. 137-75.
- 14 "Allernaadigste Octroy for den Kiöbenhavnske Assignation-Vexel-og-Laanebanque", dated Oct. 29, 1736. A handwritten original of the charter, signed and sealed, has been preserved in the National Archives (RA) where a small fragment of a contemporary copy printed in German Gothic letters is also kept. A transcript of all three documents in Danish, undated, is kept in the Århus State Libarary. From the quality of the paper and the layout of the text, which is identical to the German/Gothic fragment in the RA, it may be assumed that it is contemporary.
- 15 The Royal Charter's Preamble. SEA's translation: "... a well organized Bank can be of great use both regarding the promotion of trade and commerce, and for the safeguarding of a secure and just system of credits."
- 16 The Royal Charter, § VII.
- 17 Schimmelman had come to Denmark in 1762 from Hamburg to be appointed "Schatzmeister". His private affairs included shipping in the notorious "triangle route" between Denmark-Norway, Africa, and the Virgin Islands, as well as gun manufacturing, and other trade with large deliveries to the government. He became one of Denmark's richest men. His son, H.E. Schimmelman succeeded his father as "finance

- minister" on the death of his his father in 1782. The younger Schimmelman engineered the state bankruptcy of 1813, and was later rewarded with the position as foreign minister until his death in 1831.
- 18 As phrased by a later observer: "Sedler...der havde det tilfælles med den virkelige Tøsnes store Fnugger, at den opløstes, idet den nåede Jorden." M.Rubin: "1807-14. Studier til Kiøbenhavns og Danmarks Historie", (Kiøbenhavn, 1892), p. 258.
 - 19 In contrast to Sweden, the king of Denmark-Norway formally had absolute power (1660-1848), which implied that there was not much difference between a bankruptcy of the Crown (the king personally) and a state bankruptcy.
 - 20 The 1818 and 1908 Charters have been reprinted in A.Rubow: "Nationalbankens Historie 1818-1908" (Nationalbanken i Kiøbenhavn, 1918), Bd. I-II.
 - 21 The official history of the Bank of Finland has been recorded in H.E.Pipping: "Från Pappersrubel till Guldmark. Finlands Bank 1811-1877" (Finlands Bank, 1961), and H.E.Pipping: "I Guldmyntfodens Hägn. Finlands Bank 1878-1914" (Finlands Bank, 1969).
- The Bank was officially formed on Dec.12, 1811, by the imperial declaration "Hans Kejslerlige Majestäts Nädiga Reglemente för Wäxel-Låne-och Depositions Contoiret i Storfurstendömet Finland", since 1867 named Finlands Bank or Suomen Pankki. A summary of this document is given in Pipping: "Från Pappersrubel till Guldmark", pp. 54-66.
- 22 The Estates had not convened between 1811 and 1863. Since 1863, they convened at irregular intervals, e.g. in 1867, 1872, and 1875.
 - 23 "...at stadga och säkerhet i landets penningväsen, samt att befördra och underlätta penningomsättningen.." Here quoted from H.Pipping: "I Guldmyntfodens Hägn" (Finlands Bank, 1969), pp. 236 and 302. According to Pipping, it is impossible to trace the origins of this wording, because the working protocols have been lost. However, § 3 and 5 of the 1818 charter for Nationalbanken i Kiøbenhavn had an almost identical wording: "Bankens...bestemmelse er...at virke frem til til befæste et sikkert Pengevæsen i Landet...og...at fremme Pengeomløbet..." Here quoted from the Charter as reprinted in A.Rubow: "Nationalbankens Historie" (Nationalbanken i Kiøbenhavn, 1918), Vol.I, pp. 70-71.
 - 24 Karl XIII, King 1809-1818, was fairly old and sick and without issue. He let the crown prince take care of most government business, including financial matters.
 - 25 There are several examples showing this attitude. When e.g. Christiania Bank og Kreditkasse had opened a branch in Bergen, it soon had sell the branch to local people, because the citizens of Bergen had no stomach to do business with "those people people from Christiania" (Oslo). Also, when in 1887 a new savings banks act was passed requiring savings banks to hold liquid assets in amounts equal to ten pct. of their deposits (§8), it caused an outcry. The problem was that the only eligible "liquid assets" consisted of bonds issued by Christiania institutions (incl. the government), but for the regional savingsbanks to "send money " to Christiania was unthinnkable. The savings banks kept protesting, and in 1900 the hated §8 had to be scrapped
 - 26 Karl XIV Johan was born Jean Baptiste Bernadotte. He rose to the rank of marshal in Napoleon's army.
 - 27 In the official history of Norges Bank, Jahn, Eriksen og Munthe: "Norges Bank gjennom 150 år" (Norges Bank, 1966), no mention is made of the resemblance to the Banque de France.
 - 28 In Jahn, Eriksen og Munthe: "Norges Bank gjennom 150 år", no explanation is given for the calculation of the price.
 - 29 The first of these "diskonter" (Diskontkompagniet) was formed in Stockholm in 1773. Others were formed later in Göteborg, Malmø, and Åbo (Turku). The history of the "diskonter" has been recorded by S.Brisman: "Sveriges Affärsbanker, I-II (Svenska Bankföreningen, 1924), Bd. I, pp. 1-60, and in I. Nygren: "Från Stockholms Banco till Citibank" (Liber Förlag, 1985) pp. 29-32.
 - 30 "Kongl. Maj:ts Nädiga Kungörelse, Angående Inrättande af Enskilda Banker eller Diskonter" ("His Majesty's Gracious Resolution Regarding the Formation of Private Banks or Discount Houses"), dated Jan. 14, 1824. Reprinted in S.Brisman: "Sveriges Affärsbanker", I+II (Svenska Bankföreningen, 1924), Bd. I, pp. 229-30.
 - 31 Cfr. S.Brisman: "Sveriges Affärsbanker " I, "Grundläggningstiden" (Svenska Bankföreningen, 1924), p.77.
 - 32 Fyns Diskontokasse later merged with Århus Privatbank (and others) to form Den Danske Provinsbank, which was absorbed by Danske Bank in 1990.
 - 33 E.Cohn: "Privatbanken i Kiøbenhavn gennem Hundrede Aar" (Privatbanken, 1957-58), I-II.
 - 34 Savings banks had been subject to a savings banks act since 1880, whereas savings banks acts were not introduced in Sweden and Finland until the 1890s. Norway passed a savings banks act already in 1824.
 - 35 For an analysis of the Danish banking crisis of the 1920s, see P.H.Hansen's doctoral thesis: "På glidebanen til den bitre ende" (Odense Universitetsforlag, 1996), and Sv.A.Hansen et alt: "Dansk Pengehistorie", I-III (Danmarks Nationalbank, 1968), Bd. III (Bilag v. K.Mordhorst), pp. 114-55.
 - 36 "Förordning av 15.jan. 1866 angående enskilda banker med sedelutgivningsrätt samt om villkoren för inrättande av enskilda banker i allmänhet."
 - 37 "Förordning av 10 mai 1886 angående bankrörelse, som bedrivs av aktiebolag."
 - 38 "...bankverksamheten...utveckle sig till största fromme for landet, om densamma så litet som möjligt bindes av faste lagbestämningar." Kommittébetänkande nr. 8/1884, as quoted by R.Erma: "Affärsbankernas soliditet – deponentens skydd enligt lagstiftningen", in "Affärsbankerna och Näringslivet" (Bankföreningen i Finland, 1964, in celebration of the 50th anniversary of the formation of the Finnish Bankers Association).
 - 39 Cfr. "Statsrådets redegörelse till Riksdagen on bankstödet", Nov. 11, 1999.
 - 40 This was most directly expressed in the "Credit Act of 1965" ("Lov om adgang til regulering av penge- og kreditforholdene av 25.juni 1965", which, in essence, did not differ much from similar regulations introduced in Sweden in the 1960s.
 - 41 "Vi har registrert en noe lunken holdning fra bankenes side til å påta seg risikoengagementer. La oss nå få en innsats her som kan vise at ennå er det mot og dristighet i bankpalassene." Here quoted from the "1998 Storting Report" (an official inquiry into the banking crisis of the early 1990s), p. 51.

National Bank of Romania during the Great Depression 1929-1933

1. The Romanian Economy in the First Interwar Decade

The First World War brought to significant material and human loss to Romania, as well as considerable territorial gains. After the peace was settled, the political elites aimed at recovering the social and political equilibrium, the economic reconstruction and administrative unification. In economic terms, Romania was still a predominantly agricultural country, although the authorities were continuing a protective tradition on industry.

The endeavours made to wage the war left the public finance depleted. Until 1921, when the first sole budget was drawn up for the interwar Romania, the Government resorted to the National Bank of Romania (NBR) issues, in order to cover the expenditures.

The national currency convertibility was still suspended since the wartime, the gold stock had

been sent to Moscow in 1916 and seized by the Soviet authorities at the beginning of 1918. The leu depreciated both on the domestic market and in relation to foreign currencies. In order to reinstate the monetary equilibrium, the Bucharest authorities adopted the solution of stabilizing the national currency at the value of the year 1928. The resumption of the convertibility was decreed in the Monetary Act of 7 February 1929, 1 leu was equal to 10 milligrams of gold 9/10 fine. The conversion could be done also into gold or gold currencies. NBR had to ensure 35% coverage to its sight commitments. Gold had to account for at least 25% of the coverage stock and the remaining 10% could be supplied in gold-convertible foreign currencies. The necessary resources were provided by the 7% Stabilization Loan granted abroad to the Romanian state through the Romanian Kingdom Monopolies Autonomous House and administrated through NBR.



National Bank of Romania - headquarters

The stabilization-related operations were subject for three years to the supervision of the formerly Vice-Governor of the Bank of France, Charles Rist, appointed technical counselor to NBR.

Romania's banking system witnessed an increase in the number of banks, without appropriate capital resources. Loans were granted mainly to industry and trade business, whereas the loans for agriculture were low. Owing to inflation and also to insufficient bank capital, the interest rates were particularly high.

A picture of the Romanian economy at the end of the first interwar decade reveals a fragile equilibrium with many weak links in the chain, which the depression would relieve.

2. The Great Depression in Romania

The first signs of the economic crisis in Romania appeared in the foreign trade by a price drop in



Charles Rist, technical counselor to National Bank of Romania -1929-1932

the Romanian products on export: grains, oil, timber. This issue would be offset in the period of 1929-1931 by an increase in the physical export flow. After the climax achieved in 1931, the physical export flow went down in the following years, showing the limits of the Romanian economy, as well as the emergence of the barriers raised in the development of the international trade in effect of the crisis.

The situation occurred in the development of the foreign trade influenced the whole economy by spectacular price drops on the domestic market. The first to be affected was the income of the rural population, which accounted for approximately 80% of the Romanian population and was the main grain provider.

The diminished purchasing power of the peasants in 1933, which was only 65% of that of 1929, resulted in diminished consumption of industrial products and of the debt repayment capacity. At the same time, the income of the urban population decreased too, since they were facing higher unemployment, successive cuts in the salaries of the budgetary personnel and nonpayment of such salaries for a few months in the course of 1931. In 1933, the salary income accounted for only 63.1% of that of 1929.

The industrial production came to a standstill, except for the upstream oil industry, which recorded at the time volumes increasing over 50%. The accelerated production in this field was aiming precisely to offset the price drops and to support the exports.

The agricultural production, in particular the grain production, was not decisively influenced by the crisis. The records were higher than in the course of the first interwar decade but lower than in 1929. The quantity of grain exports increased considerably in 1931, up to double that in 1929, although at the time the production did not exceed 90% of that harvested in 1929. In that case the export was pushed also to the detriment of the domestic consumption.

The crisis in the real economy propagated to the realm of the public finance, credit and currency,

being worsened by the international events: the withdrawal of the American capitals invested in the European economy, the 1931 banking crisis, the suspended convertibility of the British pound etc.

3. The Battle for the Convertibility of Leu

Recovering the convertibility of leu was regarded as the beginning of a time of welfare generated by the currency stability and the inflow of foreign capitals. For such expectations to come true, the stability itself needed to be achieved in a time of welfare. However, according to the Romanian economist Virgil Madgearu, the moment chosen for stabilization was not adequate: the trade balance and the budget were on a deficit, the domestic prices were on a level higher than the purchasing power of leu outside. Moreover, the worsening of the economic relationships worldwide following the onset of the Great Depression added to all of that. Thus any potentially favourable effects of the stabilization were brought down to zero and all the deficiencies impairing the Romanian economy became even harder.

The stabilized leu was subject to permanent pressures generated by the effects of the crisis. The gold and foreign currency mixed coverage system, besides the advantage of NBR stock flexibility, posed many shortcomings too. A link was being created between Romania's monetary system and the economies of the respective currency countries of origin. In addition to that, part of the foreign currency coverage was being operated not in Bucharest, but in Paris, London or New York. Keeping the foreign currencies in the accounts opened with foreign banks without asking for the conversion thereof into gold stood for a credit given to the country of origin thereof. The leu stabilization was not followed by the expected foreign capital inflow. On the contrary, from the very beginning a massive capital outflow was noticed, since the newly achieved convertibility facilitated its exchange into foreign currency. The New York stock market crash of 21st October 1929 accelerated the trend, with its

climax on the 1931 banking crisis. The currency inflows failed to cover the outflows generated by the external debt payments, import payments and massive capital withdrawals.

In the period of November 1929 - May 1930, the withdrawal of foreign and Romanian capitals amounted to approximately lei 8.1 billion. That could be seen in the dramatic decline in the convertible currency stock that covered the NBR issue. Another pressure on the NBR currency stock came from the obligation undertaken according to the law by the issuing institution to transfer abroad the public debt rates.

In the middle of 1930, the situation became increasingly harder for the central bank, since the external debt coupon payments lowered the currency stock to only lei 446 million, which endangered the convertibility itself. In such a situation, the technical counselor requested the NBR management to use in case of need, the gold purchased by the bank after 15 May 1930, in order to obtain the foreign exchange necessary to fill the stock designed for paying the ex-



Dimitrie Burillianu, governor of National Bank of Romania 1927-1931

ternal debt. Exceptionally, the bank could even recourse to selling an amount of the gold ingot stock in order to procure foreign exchange. The policy that was to be followed by the National Bank of Romania in the next couple of years was taking shape, with the necessity of maintaining the monetary stability and paying the external debt, even at the cost of sacrificing the raw material resources and of foreign indebtedness. Thus, in the first half of 1931 NBR sold gold of its coverage stock amounting to lei 550 billion. A considerable influence on the decline in the NBR currency stock was posed by the ceasing British pound convertibility on 21 September 1931. The British tender downgrading brought about a loss to the National Bank of Romania of over lei 300 million and the bank had to turn a part of the currencies that were becoming uncertain into gold.

In consideration of the need to protect the coverage stock, some members of NBR Board of Directors made a case for imposing restrictions to the foreign exchange trading, however it was



Constantin Angelescu, governor of National Bank of Romania -1931; 1931-1934; 1944

the technical counselor's opposition that led to a postponement of such measure.

Another fact that added a particular pressure on the stabilized leu was the banking crisis that Romania faced in the course of 1931. Confronted with the cash deficit generated both by defective investments that were keeping the cash locked in and by the increasing claims for refunds of deposits and shares, the Romanian credit institutions repeatedly appealed to the resources provided by the NBR rediscount. The issue institution agreed to an unprecedented increase of its discount portfolio from lei 7.2 billion at the end of May to lei 13.3 billion at the end of November 1931. As a result, the value of the banknotes in circulation went up from lei 18.7 billion to lei 23.5 billion. Such facts adding to the decline in the stock of the issuing bank resulted in the coverage rate of the NBR commitments going down to the legal minimum.

The public expenditures worsened the difficult situation of the stabilized leu. The budgets of 1929-1930 were brought to equilibrium with great difficulty, by stepping up the tax burdens and compressing the expenditures. At the beginning of 1931, the state budget collections faced a dramatic drop that was pointing to the extinction of the Romanian economy resources. The foreign technical counselor assessed in March 1931 that Romania was „facing a genuine disaster unless immediate measures were taken”. His forecast was confirmed, since the Romanian state's income and expenditure budgets in the following years ended up in considerable deficit (lei 6 989 million in 1931; lei 1 883 million in 1932/1933 and lei 2 377 million in 1933/1934). The crisis that the public finance was going through was reflected also in the use of the lei 2 billion credit that NBR made available for the state to be able to cover the lags between collections and expenditures, on the condition of repayment by 31 December of each year. In 1929 and 1930 the amount was fully consumed in the first quarter, whereas in 1931 it had already run out in the first month of the year. The state made

such repayments with delay, usually in the last weeks of December, but in 1932-1933 it failed to repay at all.

Partial rescue came from the grant of new foreign loans, the most important being the 7.5% Development Loan in 1931. The loan amounted to French franc 1 325 million, being initially designed for upgrading certain economy sectors (organizing the agricultural loans, railway modernization, investments in agriculture). However, the funds were used to cover the budget deficit, to support the banks under crisis, to maintain the leu stability and convertibility. The aforementioned loan was granted on the condition of extended incumbency of the foreign technical counselor at the issue institution. The NBR Governor, Dimitrie Burillianu opposed such condition; however he was dismissed, as the new foreign loan was deemed by the Bucharest authorities absolutely necessary for a boost to the economy.

Despite the contribution in foreign exchange, the ratio between the NBR reserves and the bank's sight commitments was being maintained with great difficulty. The coverage ratio for its commitments declined from 44.65%, at the beginning of 1931, to 36.04% at the end of the same year, out of which only 1% was gold-convertible currency. Such movement reflected the general international trend of dispensing with currency in the central banks' commitment coverage stock after the British pound renounced convertibility, which spelt a failure of the gold-exchange standard. In the case of NBR, the evolution accentuated in the following years, therefore in 1936 the coverage stock came to consist exclusively of gold. Coming back to Romania's problems with the balance of payments, in the course of 1932 the foreign exchange contribution dropped to such a level that the currency coverage itself came into question and in February the foreign exchange reserve fell off to lei 52 million. NBR was forced already in January 1932 to enter into a loan agreement for franc 250 million with the Bank of France, and Monopolies Autonomous House

obtained a franc 150 million loan.

Despite all of this, the situation with the NBR foreign exchange cash did not improve, the Bucharest authorities being in a situation of choosing between introducing restrictions on the currency trading and exhausting all of the Romania's means of international payments as a price for maintaining the leu convertibility.

By decision of the Government of Romania, the National Bank of Romania was bestowed on 18 May 1932 the monopoly on the foreign exchange trading. NBR set the official exchange rate, approved all the transfers of lei or foreign exchange outside the country, exerted a preventive control on all foreign exchange operations. The Governor Constantin Angelescu deemed that it helped to prevent any currency hoarding as a reaction to the effects of the crisis. Other NBR leaders regarded the measure to be beneficial yet occurring late. The Bucharest new currency system on external level resulted in a 5% up to 15% downfall of the Romanian currency exchange rate.

4. The problem posed by the external public debt, between the transfer difficulties and insufficient resources

In addition to preserving the national resources, one of the goals of the new foreign exchange system was to provide the currencies necessary for paying the external debt coupon and for the foreign trade needs.

In a first stage, the goal seemed to be reached, as the currency inflow at NBR rose from lei 410 million in May to lei 970 million in June 1932. However, the resources did not suffice to cover the external debt coupon due in the middle of the year. NBR Board of Directors resorted to entering into a short-term loan with the Bank of England in amount of lei 680 million secured in gold and sold gold of its stock to the value lei 547 million. In support of the solutions chosen, the Governor Constantin Angelescu declared that NBR could not fail to meet the state's external obligations, and further move that it made the

necessary payments in lei. A refuse of or delay of the issue institution would „produce such a big impression in this country and abroad that would be harmful to the National Bank’s primary interests. /.../ unfair interpretation would be given in the sense that the National Bank is unable to pay its debts, which is not accurate.”

Paying the public debt turned out to be an increasingly difficult problem owing to the budgetary collection falling from lei 36 018 million in 1929 down to lei 18 364 million in the course of the budgetary year 1933/1934, with a deficit of lei 2 377 million recorded in the latter period. At the same time the foreign exchange amounts collected kept staying at low levels and in the course of 1933 the NBR reserve, as included in the coverage stock, was less than lei 750 million. As a consequence, the Bucharest Cabinet Office decided to suspend the external debt payments on 15th August 1933 to proceed subsequently to negotiations with the creditors for a reduction of the debt coupon.

5. The Role of the National Bank of Romania in the Banking Crisis Context

Another fact of the Great Depression in Romania, with consequences on the activity of the National Bank of Romania, was the banking crisis. In the period of 1929-1930, the crisis effects could not be detected in the credit business, owing to the capital inflows generated by foreign loans. The advantages thereof came to an end and, starting with the second half of 1930, the banks had to deal with immobilization of receivables and downgrading of the securities established on them. The difficulties became even harder in 1931, with deepened payment incapacity of the debtors, particularly the farmers, owing to the interests accrued and the price drops.

The onset of the banking crisis in Central Europe (1931) meant for Romania massive foreign capital withdrawals. This fact generated panic amongst domestic depositors too, which led to the collapse of three large banks; in June 1931

Banca Generală a Țării Românești (General Bank of Wallachia), in July the Berkovitz Bank and, at the end of the year, the Marmorosch Blank Bank. The opposition of the Governor Mihail Manoilescu to the Government’s plan of rescue for the last one with the NBR assistance led to his dismissal after just a few months of incumbency.

The support provided by the National Bank to those banks that had come to a deadlock caused, from July 1931, an increase both in the number and in value of the trade bills presented upon the issuing bank’s rediscount. In the course of the year’s second half, as the panic generalized, NBR approved a step-up of the rediscount and, implicitly, of the volume of banknotes in circulation up to the coverage ceiling.

The hardships of 1931 left deep traces on the balance sheets of the credit institutions; the total withdrawals amounted to lei 22 746 million. The number of banks dropped from 1 102 in 1930 to 893 in 1933 and the capital from lei 11 628 million to lei 9 929 million.

The standstill of the banking system was caused also by successive regulations of the relationships between debtors and creditors: suspension of forced executions and debt conversion (1931-1933). The problem was worked out in 1934 by the Liquidation Act on the Agricultural and Urban Debts. Debts were cut down in proportions ranging from 20% to 50%, the rest was paid off in installments over several years at interest rates between 3% and 6%.

The economic crisis showed also the deficiencies between the National Bank of Romania and other credit institutions. In his reports, the technical counselor commented on the deficient functioning of the rediscount operations that provided information on the credit market to the issue institution. Upon falling due, the trade bills discounted at NBR were not cashed in by the issue institution, but replaced with others by the banks submitting them. That practice led to an immobilization of the NBR portfolio and prevented the issue institution from knowing both

the solvency of the signatories of the trade bills and the status of the discount submitting banks. Moreover, a suspicion arose that „actually it was not the bank accepting a trade bill that received a credit, but the bank endorsing it. Therefore – concluded the technical counselor in March 1931 – it is elementary to any issuing bank not to discount financial commercial paper.”

The weaknesses of the Romanian banking system that were thus revealed drove the Romanian government to organize preventive banking supervision. Thus, in 1934 under the Regulation Act on Bank Trading, the first body of its kind was established by the Romanian legislation, the High Banking Council. The institution was a legal entity in its own right, working attached to NBR and one of its duties was supervising the banking operations of any credit institution from the establishment thereof until wind-up.

As a result of the new enactment, the number of mergers increased and implicitly, the total number of the credit institutions fell down. Thus, in 1933 there were 893 banks, and in 1934 their number went down to 873. The same tendency was maintained in the following period of time, with banking and capital concentration.

Conclusions

The Great Depression had deep effects on the interwar Romanian economy, with visible consequences in the considerable decline of the national income, which in 1932 accounted for only 62% of that of 1929. For the National Bank of Romania, the Great Depression revealed the failure of the monetary stabilization against the background of pressures put upon the Bank's coverage stock by the foreign capital withdrawals, the obligation of transferring outside the public debt annuity, the support granted to the credit system and to the state. The end of the leu convertibility meant for NBR taking over new duties, in the gold and foreign currency trading control and in the development of new specific bodies for such activity.

The suspension of the British pound convert-

ibility in 1931 considerably affected the gold and currency mixed coverage system and forced NBR to alter the structure of its coverage stock by dispensing with the foreign exchange.

The Great Depression also revealed the weaknesses of the Romanian credit system, as well as the NBR deficiencies in using the discount as key-tool for getting information about the banks' activity. The state intervened to remedy the situation by regulating the relationships between debtors and creditors and by establishing the High Banking Council, an institution for the preventive supervision of the credit system.

All such facts altered the relationship between the issue institution and the state. The Government's pressures on the NBR management led to frequent governor replacements when the Bank showed opposition. The issue institution's autonomy was exposed and the way was opened potentially for acts of Government abuse which, by repeated recourse to note issuing to cover the budget needs, could jeopardize the equilibrium of the monetary circulation. On the other hand, NBR was increasingly acting as an agent of the state within the national economy, by the role bestowed upon it in the new currency system or in the supervision of the credit system. The bottom line for the National Bank of Romania in the aftermath of the Great Depression spelt the failure of its dream, that of recovering the leu convertibility, impaired autonomy, as well as new duties and bodies, which were in fact appropriate to the new economic situation.

Brîndușa Costache
Bank of Romania

Central banks as the hubs of financial supervision in the EU

The financial crisis of 2007/2008 had been foreseen by many, but surprised most. It squeezed the welfare gained within the last decade. Its scale and dimension meant it was difficult to be managed and controlled. Despite previous experiences in combating downturns as well as the increasing prominence and progress in the economic research, once again policymakers worldwide discovered themselves standing on a crossing without a clear idea which way to follow. Quite expectedly central banks were placed at the heart of developments.

The crisis led to the redefinition of institutional arrangements on the financial markets. The systemic risk has become the keyword in the reality of reformers. In consequence, the ongoing debate puts central banks' tasks in the limelight. Voices in favour of entrusting central banks the role of financial stability overseer can be heard from leading economists¹. To some degree the postulate could materialize in the trend reinforced by the financial crisis – the trend to shift the responsibility for financial market supervision to central banks. Nonetheless, the question arises whether in the present conditions (i.e. complex and extensive nature of financial markets) central banks could be successful in acting as supervisory bodies. Probably time will be the best judge.

Following the victory over the great inflation of '70s and the recession of '80s gradual reforms of financial supervision, including of banking supervision originally entrusted to central banks, have been introduced in the EU Member States. In some cases national central banks' role in financial supervision was diminished. In other cases, on the contrary, central banks' competences were enriched. However, national central banks remained - if not solely responsible for financial supervision - extensively involved in the process. Currently, Malta is the only country

in which the central bank is not engaged in performing supervisory tasks.

This involvement is not surprising given the number of arguments against separating supervision from central banks. The European Central Bank (ECB) emphasises information-related synergies between supervision and core central banking functions stemming from the access of central banks to prudential information (ECB 2001). It allows central banks to better perform other tasks assigned to them as their capability for macro-prudential monitoring is enhanced, and as some claim, it may improve the conduct of monetary policy. Since central banks are substantially engaged in managing crisis situations, by having such information on their disposal they could contribute to limiting moral hazard among financial institutions applying for emergency liquidity assistance. Moreover, central banks are active market players; as such they could be more efficient in approaching informally other institutions and collecting relevant information in this way. The ECB stresses also the role of central banks in assessing the systemic risk due to which they are in better position to evaluate the impact of different shocks both on a macro and micro scale. The competences related to systemic risk could be also successfully used when coping with failing financial institutions, enabling the accurate evaluation of the contamination's likelihood. Last but not least, the ECB points at the experience of central banks which commonly are among leading research centers in the European Union and their independence which is warranted by the Community rules. Hence it could be more likely for central banks to look for solutions within the private sector in times of stress.

The ECB's reasoning is widely confirmed by the existing literature, which points at information gains and more skilled staff (Masciandro

and Quintyn 2009). Although many arguments in favour of entrusting financial supervision to institutions other than central banks² could be easily cited, the European Central Bank clearly recognises that empowering national central banks within the Eurosystem with extensive supervisory tasks could be advantageous. This statement is based on the fact that the introduction of common currency makes the arguments encouraging depriving central banks of supervisory functions fade. As long as central banks in the Eurozone countries do not directly conduct monetary policy they are considered to act as financial stability agencies. Financial stability functions are hard to be properly performed without access to prudential information, which might explain the reason why these countries very often assign supervisory powers (macro, micro or both) to national central banks (Herring and Carmassi 2008).

Looking back in the past one can find the financial supervision strongly linked to three sectors of the financial market. In fact, until the end of the nineties sectoral supervision prevailed in most of the present EU Member States. It entailed the existence of separate authorities each conducting the supervision in a particular segment of the market. Such division of supervisory powers reflected the existing cross-sectoral differences. Central banks were usually responsible for conducting the supervision of banking sector which at that time was the most developed sector of the financial market. The banking surveillance was also justified by the function of central banks as lenders of last resort likely to be called upon in the event of a banking crisis (Herring and Carmassi 2008). Among the present EU Member States the only exceptions were Denmark and Sweden which had introduced the integrated model of financial supervision in 1988 and 1991.

Starting with the United Kingdom, the end of the nineties and the beginning of the subsequent century were marked with the radical shift from

sectoral supervision to the consolidation of the supervisory structures. On the basis of the reform implemented in the years 1997-2001 the newly established Financial Services Authority took over the banking supervision from the Bank of England and became the single supervisor for all segments of the financial market. The UK example was soon followed by other EU Member States and by candidate countries. One of the driving forces behind the unification of supervisory structures was the progressing consolidation of the financial market which was making the differences between the sectors less and less visible. Another reasons often mentioned in the literature referred to the economies of scale and improvement of efficiency in conducting supervisory activities. However, the trend towards limiting the number of supervisory authorities in the EU did not represent a common pattern. Depending on a jurisdiction the reforms were implemented differently and reflected the following models (or variation thereof):

- unification of the entire financial supervision under one separate agency. This trend was particularly widespread between 1999 and 2002. At that time a single supervisor was introduced, inter alia, in Germany, Hungary, Latvia and Malta. In 2004 the Banking, Finance and Insurance Commission was established in Belgium with the power to supervise credit institutions, investment firms, securities markets, securities settlement institutions and clearing institutions, undertakings for collective investment, insurance companies, insurance brokers and pension funds (ECB 2006). In 2008 the similar reform was completed in Poland when the Polish Financial Supervision Authority became the single financial supervisor. After consolidating financial supervision in hands of separate authorities, central banks in these countries were no longer directly involved in the supervisory activities but their role in this process was usually ensured in a different way (e.g. through institutional arrangements).

- integration of the financial supervision by objectives, in which one supervisory authority was responsible for the conduct of business supervision and the other for prudential supervision (i.e. the twin peaks model). In the case of the Netherlands, which fully implemented the twin peaks reform in 2004, the Authority for Financial Markets was made responsible for the first objective, while the latter remained in hands of de Nederlandsche Bank (ECB 2006).
- merging the supervision of some segments of the market, e.g. the insurance and capital market (by reducing the number of supervisory authorities). This was the case with Bulgaria. In 2003 the Financial Supervision Commission was created unifying the supervisory functions that were previously carried out by 3 agencies (ECB 2010).
- finally, concentrating the whole financial supervision in the structure of the central bank. This model (in a pure form) was introduced in Slovakia and in the Czech Republic in 2006.

As indicated above, in the years before the crisis (i.e. until 2007), few EU Member States decided to house the supervision of their entire financial sector in the structures of the central bank. But any turmoil, let alone a global financial crisis, reinforces the evaluation process and policymakers propensity to implement changes. It seems that the recent financial crisis has questioned all the designs of supervisory arrangements regardless of their structure (Masciandro and Quintyn 2009). Not surprisingly, in the wake of the financial crisis European policymakers decided to review the supervisory models in place and to reconsider the introduction of further changes. The financial reform went even beyond national arrangements - it is also underway on an EU level as new supervisory structures such as the European Systemic Risk Board and European Supervisory Authorities are being established.

Bearing in mind that according to various studies one of the key issues in the supervisory architecture is the role of the central bank (ECB 2006), in particular the modality and scale of its engagement, it should be noted that the last three years are marked with a new trend towards the considerable strengthening of the central banks' role in the process.

The motivations standing behind such a trend are complex and without doubt underpinned by peculiarities characterizing each individual country's financial sector and they require a thorough analysis³. However, one might expect that the current focus on systemic risk would be among the factors which speak for more extensive involvement of central banks.

Looking at the recent developments four countries attract special attention: Austria, Germany, Ireland and UK. In all these countries the responsibility for financial supervision (especially for banking supervision) initially shifted outside their central banks, has been recently or is intended to be returned to them.

In the case of Austria the change had come even before the financial crisis erupted and it had been provoked by the inability of the Financial Market Authority (FMA), which in 2002 took over the responsibility for supervision from the National Bank of Austria (OeNB), to effectively respond to problems of one of the Austrian commercial banks (NBP 2009). As a result, from 2008 on the FMA and the OeNB are obliged to collaborate in the supervision of banks.

The role of the central bank has been recently accentuated also in Ireland. The law enacted in July 2010 re-unites financial regulation with the Central Bank of Ireland (ECB Oct 2010)⁴. Germany and UK in contrast are in the phase of planning. Their governments would rather re-delegate financial oversight to central banks. Both German and UK banking sector have been

severely affected by the financial crisis. The provision of German and UK banks with considerable public support sparked off a debate on deficiencies in their banking regulation and supervision (Hüfner 2010). In both countries the crisis coincided with elections, and supervisory reform became an element of the electoral campaign. In October 2009 the German government announced that the oversight of the banking sector, in 2002 separated from the Deutsche Bundesbank (BBk) and assigned jointly to the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and the BBk, would be transferred back to the central bank. In a similar spirit in June 2010 George Osborne, the chancellor of the exchequer, announced that the Bank of England would be in charge of prudential supervision from 2012.⁵ The intention was welcomed at the time by the Governor of the Bank of England, who argued that in times of stress the central bank needs first-hand access to prudential information and should be empowered to take regulatory decisions in order to warrant financial stability⁶.

These four cases, although somehow peculiar as they illustrate a reverse direction in shifting responsibilities for financial supervision, are not exceptional in the sense that central banks become more and more involved in financial oversight. Supervisory tasks of central banks have been recently extended in Greece and Luxemburg. While in Greece the central bank gained additional responsibilities (namely the responsibility for the supervision of the insurance sector in addition to its original responsibilities for credit and financial institutions supervision), in Luxemburg the central bank gained exclusively new powers. The Banque Centrale du Luxembourg had not performed any supervisory functions until October 2008. Between 2008 and 2009 it was made accountable - among others - for the oversight of general liquidity situation of markets and the oversight of payment and securities settlement systems.

In addition, two EU countries, Belgium and Portugal, seem on the way to adopt the twin peaks model (Belgium has already adopted the respective law; Portugal for the time has launched public hearing on changes to its sectoral supervisory structure), putting central banks in charge of the prudential supervision of financial systems. In both cases such a change would imply integrating more supervisory powers into central banks. However, probably the most pronounced example of the aforementioned trend is Lithuania, where in May 2010 the Government supported the idea to join three sectoral financial supervisory bodies and attribute all duties of financial market supervision to the central bank.

Bearing in mind the growing role of the central banks in maintaining financial stability and the current market situation, the trend is not surprising. The supervisory arrangements in the vast majority of the EU Member States generally recognize the need for the central banks' involvement in the process of financial supervision. As already mentioned, a number of countries intend to reinforce this role even further by introducing specific reforms. Not all the Member States, however, regard the move towards concentrating supervisory responsibilities for the entire financial sector under the central bank's roof as relevant for their particular situation. It is possible to list the countries where, in spite of the global crisis, the existing institutional structures appeared to function well. To give an example Cyprus, Poland, Spain and Slovenia do not seem to consider any relevant reforms.

One could also pose a question on the actual need for frequent changes in a supervisory architecture as they may not leave enough time for the proper verification of the previously adopted models. Denmark is an example of a country, where in spite of the severe banking crisis, the existing supervisory arrangements have remained unchanged.

The literature seems to confirm that each model of financial supervision has both its advantages and disadvantages. Therefore, the actual decisions (or lack thereof) to implement particular supervisory reforms need to go beyond the theory and reflect the country-specific factors. There is no universal solution which could be easily applied across the EU Member States and which would turn out optimal in all cases. Apart from the mere organization of financial supervision other factors need to be considered like the quality of supervisory personnel, their independence or their accountability for meeting regulatory objectives (Herring and Carmassi 2008). The ECB stresses that regardless of the supervisory model it is important that there exists a very close and smooth interplay between the central banking and the supervisory function (González-Páramo 2008).

Changes in supervisory arrangements are not always motivated by economic reasons – politics may also substantially influence the decisions undertaken. Nonetheless, any changes reflect the unsatisfied search for an institutional design responding to the current complexity of financial market reality and adjusted to challenges this reality poses. Although the resignation from embarking on the reformatory path and leaving central banks aside might prove a better option, the revival of central banks' authority should not be neglected. Central banks play a pivotal role in the post-crisis debate as they are unique institutions in which public trust is so deeply rooted. Hence, it is likely that their supervisory functions would be broadened every time the economy encounters grave financial difficulties.

The trend towards strengthening the role of central banks in the supervisory process is reflected not only at the national level but also at a European one. Following the recommendations of the group of experts chaired by Jacques de Larosiere, in September 2009 the European Commission presented the legislative package

aimed at creating a new framework for macro- and micro-prudential supervision in the EU. This new architecture will become operational on 1 January 2011. In the area of macro-prudential supervision a European Systemic Risk Board will be set up with the responsibility for identifying and prioritizing systemic risks. In order to address these risks the ESRB will be entitled to issue risk warnings or recommend specific actions directed, inter alia, to the EU Member States or national supervisory authorities⁷. At an European level the establishment of this new Board will reinforce the role of central banks in macro-prudential supervision. Together with the President and Vice President of the ECB they will form the core of its main decision making body⁸. The task of ensuring the Secretariat of the ESRB will be entrusted also to a central bank, namely to the ECB, which will, consequently, provide the administrative, logistical, statistical and analytical support to it. The mission and organization of the ESRB together with the operation of the European Supervisory Authorities (to be established at the micro-prudential level) will be reviewed three years after the regulations came into force. Depending on its results, this revision may imply further strengthening of the supervisory process at the EU level and possibly the central banks' mandate.

***Agnieszka Miklaszewicz
Malgorzata Siemaszko***
**National Bank of Poland
International Department**

The views expressed here are those of the author and do not necessarily represent those of the NBP.

References:

- L.Dalla Pellegrina and D.Masciandaro, Politicians and Financial Supervision Architectures. Trends and the Italian Case, July 2007
- Richard J. Herring and Jacopo Carmassi, The Structure of Cross-Sector Financial Supervision, *Financial Markets, Institutions and Instruments*, vol.17, n.1.51-76, 2008
- José M. González-Páramo "Future of banking supervision in Europe", IBF National Conference 2008 "Beyond Financial Turmoil", Dublin, 22 October 2008.
- F.Hüfner, The German Banking System: Lessons from the Financial Crisis, OECD Economics Department Working Papers, No 788, 1 June 2010
- Institutionalna organizacja nadzoru finansowego w krajach Unii Europejskiej, National Bank of Poland (Financial System Department), Warsaw, November 2009
- D.Masciandro and M.Quintyn, Reforming financial supervision and the role of central banks: a review of global trends, causes and effects (1998-2008), CEPR, Policy Insight no.30, February 2009
- D.Masciandro and M.Quintyn, Regulating the regulators: the changing face of financial supervision architectures before and after the crisis, October 2009
- The role of central banks in prudential supervision, ECB, 2001
- Developments in national supervisory structures, ECB, June 2003
- Recent developments in supervisory structures in EU and acceding countries, ECB, October 2006
- The role of national central banks in banking supervision in selected central and eastern European countries. A case-study on Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Poland and Slovakia, ECB, Legal Working Paper series, No 11, March 2010
- Recent developments in supervisory structures in the EU Member States 2007-2010, ECB, October 2010

Endnotes

- 1 See Top economists call for central banks to oversee financial stability, *Central Banking*, 16 June 2010
- 2 Such as risks related to conflict among various objectives pursued by central banks, to losing their reputation in case of failure or to entrusting one institution with excessive powers which in turn may lead to excessive bureaucratization etc.
- 3 Which is beyond the scope of this article.
- 4 Although it should be noted that the Irish Financial Services Regulatory Authority (IFSRA), despite being an autonomous body, operated de facto as an integral unit of the Irish central bank (Dalla Pellegrina and Masciandaro 2007)
- 5 FSA split as Britain switches to twin-peaks approach, *Central Banking*, 16 June 2010.
- 6 *ibidem*
- 7 The ESRB will form a part of the European System of Financial Supervision, initially foreseen by the Commission as a separate micro-prudential part of its legislative package. The ESFS will consist, *inter alia*, of three European Supervisory Authorities (each dedicated for one sector of financial market) and a network of national supervisors.
- 8 The General Board.

The history and ideas behind financial supervision in Sweden in the 20th century

The research project I am working on is a compilation thesis of four articles where I use aspects of institutional economic theory and related literature to analyze Swedish financial supervision in the 20th century. The empirical material is mainly from the very extensive archive of the Swedish Bank Inspection Board (the Inspection). The archive material has been of use for many of the Swedish bank monographs that have been written, as well as for studies of the development of the stock market, the financial crises of the 20th century and for other purposes, but as of yet little research is available on the history of the Inspection itself. In other countries, this seems to be the case as well, and there are probably several explanations to this. For one thing, the archives undoubtedly contain sensitive information, both about individual banks as well as the performance of supervisors, which may make gatekeepers reluctant to grant access to them. Another reason is that financial supervision as a feature in the financial system, or at least formally, is fairly new. Many countries did not create such agencies until after the Great Depression or even after World War II. So, for historians, the histories of financial supervision in some countries may be yet too short to write. In the case of Sweden, this is not the case as some formal supervision was established already in the mid-19th century, and with an independent state agency was created by 1907. Another reason why relatively little research on financial supervision has been done may be that it has been, and is, of little importance, and that to write on the matters that finance and bank historians are interested in it is not necessary to account for the functions or actions of the supervisors. On a macro-level, this may be true. According to the works of crisis experts such as Kindleberger and Minsky, there will always be a next crash, and that there is little we can do about it. In this perspective, the acts of financial

supervisors indeed may seem futile and unimportant to understand and research. But reading almost any bank monograph, or financier biography, the argument does not seem to be as solid. At many important points in the history of a bank the relationship between the enforcer of financial regulation and the regulatee appears to have been crucial to the outcome. The paradox of financial supervision's importance in relation to individual banks, and unimportance related to the financial system as a whole, I believe is one that still needs to be further explored theoretically and empirically, and to this end I believe that historically based studies will be at least as important as the recent years' surveys of the very different ways in which financial supervision is organized in different countries. So, although my research deals mainly with the Swedish situation, I hope it will be of some non-Swedish interest as well.

The first article of my thesis discusses the theoretical implications of orthodox new institutional economics in analyzing a bureaucratic agency, and suggests a revised theoretical framework to suit this purpose. I believe institutional economic theory can be one fruitful tool in studying financial supervisors, although I make some remarks in the article about things in "orthodox" theory that may be re-evaluated. The second article first presents a theoretical model for the relation between regulations, the enforcer and the dynamic market, and then suggest a historical case where the theoretical model applies: a study of the Swedish Bank Inspection Board's actions to overcome incomplete regulation as the banking market innovates to be able to trade and own stocks in the first decades of the 20th century. A model is suggested to illustrate the relationship based on the assumptions of a slow, backward looking and incomplete regulation and a dynamic, innovation prone financial market,

with the enforcer of regulation, in this case the Bank Inspection Board, (ideally) attempting to bridge this gap. The term “adaptive enforcement” is suggested, referring to the concept of “adaptive efficiency” which Douglas C. North argues is a key feature of an institutional framework to handle the trial-and-error process of innovation (North, Douglass C. (1990), *Institutions, Institutional Change and Economic Performance*, Cambridge University Press) A draft of the second article was presented at the EBHA 2010 conference in Glasgow. The third article, to be written in the fall of 2010, will analyse the drivers of change in the formal organization of the Swedish financial supervision between the late 19th and the early 21st century, discussing and valuing different sources for change and stability such as path dependence/legal origin, historical events, convergence to international trends and technological and organizational innovations. There seems to be a common belief that financial crises are the main causers of expanded financial supervision and regulation. In Sweden’s case, this does not seem to be entirely true, and it would be interesting to investigate this matter. In the fourth and final article of the thesis, a history of thoughts on financial supervision in Sweden will be written covering the 20th century. Already now I see that some theories of the importance of supervision seem to have been there from the very start, whereas others have come and gone over the years, and these shifts would be interesting to investigate. After the completion of this research project I hope to be able to continue to do research related to financial supervision and regulation, bank ethics, components of modern financial systems, international comparisons etc. of both theoretical and empirical nature. I have been lucky to already have met some international colleagues with similar research interests as me, and I hope I will meet a few more in the years to come and become part of an international community of researchers on financial supervision and regulation.

The research project is funded by an individual research grant from Sparbankernas Forskningsstiftelse. My supervisor is professor Hans Sjögren, Linköping University and the Institute for Economic and Business History Research (EHFF) at the Stockholm School of Economics, and the assisting supervisors are Professor Mats Larsson, Uppsala University and Uppsala Centre for Business History and Professor Sverre Knutsen, BI, Norwegian School of Management. In addition I have, and will have, had good use of the work of international research organizations such as the EABH and the EBHA, both in terms of the events they stage and of the literature they publish. The 2010 book “State and financial systems in Europe and the USA” edited by Stefano Battilossi and Jaime Reis is without doubt of great relevance to my own research. I thank the editors of the EABH newsletter for this chance to present my current research.

Mikael Wendschlag
PhD-Candidate
Linköping University

HSBC gets set for 150th birthday

2015 may seem like a long way off, but it is approaching all too rapidly for the new history project team at HSBC. 2015 will see the celebration of the HSBC's 150th birthday – and it has been busy producing a very special birthday present for itself. To mark its anniversary, HSBC will publish a new history of the organisation that traces its development and evolution over the last thirty or so years. This article reports on progress to date on the book and some of the challenges met along the way.

Long-term planning

Planning for the book began back in 2005 when the archives team approached HSBC's chairman with a proposal to produce a new modern history of the bank in time for its 150th birthday. An objective account of HSBC's development over the last thirty years seemed an appropriate and time-honoured way to mark such a major milestone. HSBC also has an enviable track record of producing serious academic histories both of itself and its major subsidiaries - the four volume history of HSBC published between 1987 and 1991 and written by Professor Frank H H King demonstrated that the bank took its own past seriously and was willing to invest time and money in a work which matched its formidable status. The new book would be following in this strong tradition of respect for HSBC's heritage and willingness to put it on paper. We soon produced a short brief for the new volume: it was to be authoritative but also accessible, should place the modern history of HSBC on record for reference but also appeal to a wide readership. The new history should be geared towards both academics and interested members of the general public in addition to the staff, ex-staff, shareholders, customers, analysts and the media.

Meet the authors

Choosing the appropriate author for such a job was the first task. The archivists suggested that commissioning an external author who was a respected expert in the field with similar publications under their belt would give the finished product more objectivity and more authority than an internally-produced publication. The proc-

ess of finding an author took up the first half of 2005 and several briefs, proposals and counter proposals later, we were ready to sign contracts. Our search resulted in not one but two authors which, given the size of the task ahead, has proved to be a sensible and practical solution. The two authors who won the commission are Dr David Kynaston and Professor Richard Roberts. This is not the first time that the authors have collaborated on research and writing. In 1994 they co-edited *The Bank of England: Money, Power and Influence, 1694 – 1994* and in 2001 they co-authored *City State: A contemporary history of the City*. They bring complementary skills and expertise to the project – Richard has a command of recent financial issues and David's special forte is the humanisation of business history. A hallmark of both their writing is their accessibility and the liveliness of their storytelling.

Governance and guidance

Work began in earnest from the beginning of 2006 with both the authors contracted to work part time on the project alongside their existing commitments. The first year allowed the authors time to familiarise themselves with the archives and secondary literature, and to plan how the work would be structured and divided between themselves. After this, the project has settled into a steady routine of research, writing and feedback from the business. The new history project is overseen by a small History Committee which is chaired by HSBC's chairman. This committee guides and approves the plans for the structure and content of each part of the book; and reads and comments on each chapter as it is produced. The committee also plays

an important role in sense-checking the written work – the members of the committee lived through the events described by the authors and can offer advice on the relative importance that should be afforded to some events over others. The authors may sometimes over-emphasise the significance of a particular development or episode because it has left a large mark in the written record – but the recollections of those involved may correct their viewpoints.

What to leave out

One of the biggest initial challenges facing the authors was deciding how to structure the book. Traditional bank histories deal with just one bank which operates in only one country. Such a history is typically arranged chronologically and covers such issues as the political and economic context; the relationship with monetary authorities and regulators; the development of services and products; and the changing staff and culture of the bank in addition to an account of the company's development and performance. However, this simple structure would not translate well in telling the story of modern HSBC which is made up of many banks operating in many countries - 87 at the date of going to press. Moreover, HSBC is not just a commercial retail bank, but also includes a sizeable investment banking function and has operated as a quasi-central bank in its birthplace of Hong Kong. Prof. Roberts described the problem 'The HSBC story is a quite extraordinary one and a drama. A company with 315,000 employees operating in more than 80 countries is doing a lot of things. It will be a case of discriminating what to leave out rather than what to put it.' HSBC's insistence on readability also creates another problem for the authors: how to marry the real-life stories from around the world with a description and assessment of overall performance and progress? After many discussions over structure and contents, I don't think it will give too much away if I say that we have plumped for a broadly chronological framework – splitting the time frame into four

periods and then dealing geographically or thematically within individual chapters in those time periods. However, we are not finished yet and I think the discussions are likely to continue.

Eye-witness accounts

One of the most important components of the research effort for the new history is the interview programme. The previous history programme which produced the four volumes in Prof. King's magisterial work, was supported by an extensive interview programme which added greatly to the final books – injecting colour, real-life stories, events and opinions into the text. We have been lucky enough to inherit the recordings and transcripts of these interviews in the HSBC archives, and they have become a much-used and much-loved source by researchers and archivists alike. We were very keen for the new history project to emulate this oral history programme and the authors were also keen to interview widely to gather different points of view and collect stories from the coal face of banking.

To date we have conducted over 80 interviews with present and past employees in six different countries, and they have proved an integral part of the research for the book. The interviews often suggest lines of enquiry and changes of emphasis that it is difficult to pick up from the official written record, and are vital in assessing the effect of an individual on strategy and performance.

However, the extensive interview programme has brought its own challenges. Trying to track down ex-employees demands a certain level of ingenuity from the archivists and co-operation from pensions departments and other ex-employees. Moreover, the international nature of HSBC means that its pensioners have spread to all corners of the globe. Many of the people we would like to speak to now live in New South Wales, or Bangkok, or Monaco – or other such places where we would love to visit but can't quite justify the cost. We have had to be flexible and plan in a long-term way to try to arrange

meetings between the authors and the relevant interviewees, and use technology such as videoconferencing where it is just not possible to arrange face-to-face meetings. HSBC also has a long tradition of growing its own wood and promoting senior executives from within, which has meant that many ex-employees have a generally favourable view of the company and are not likely to provide differing viewpoints and alternative standpoints. This is a testament to the strong corporate culture of HSBC but it means that those willing to criticise have been few and far between! We have tried to find counterbalancing views by interviewing members of staff further down the management scale, and also by contacting staff who have been lured away to work elsewhere. Another significant challenge has also been to find suitable times for all participants to attend interviews, and then manage the process of transcribing the interview and gaining the approval of the interviewee that the transcript and recording of the interview can be placed in the archive and copyright assigned to HSBC. Despite the work involved, the interview programme is making an invaluable contribution to the history – and will be a key part of the archive in years to come.

Collecting the modern records of HSBC

The commissioning of the history and the appointment of the authors had a galvanising effect on the work of the archives. A project archivist initially joined our team whose responsibility it was to collect the modern records of HSBC and catalogue them. Like many archives, we found that, in some areas, our records were much better for the events of fifty years ago than they were for events of five years ago. We had to ensure that the authors had appropriate and relevant material to research so that they could tell the story behind major decisions such as acquisitions, product launches and reactions to the crisis and shocks in the external world. We received a major collection of 250 boxes material from the outgoing chairman who had initially

commissioned the project and this was useful, not only in supplying large amounts of material for the authors but also because it set a standard of good practice that we could point to when we were negotiating with other departments over the need to transfer modern records to the archives. Since the authors began work we have set up a programme of visits by members of the archive team to all the departments within head office to ensure that records are being transferred regularly to archives, and the writing of the new history has played a powerful role in helping to open these doors and get co-operation from our colleagues within HSBC.

Archives around the world

Accessing and utilising the archival resources around the world has also been another hallmark of the project. HSBC not only has an archives team in London but has employed a professional archivist in Hong Kong since 2004 to manage the archives of HSBC's Asia Pacific region; and inherited an archivist in France with the purchase of CCF in 2002. The authors have been lucky enough to make trips to Hong Kong and Paris to research the relevant material held there, and to conduct interviews with individuals based in the region. North America is also a significant market for HSBC and the acquisition of a major US subsidiary was really the starting point on the journey that transformed HSBC from a strong local bank to an international organisation. When the new history project kicked off there was no archive provision in North America, but the need to provide research materials for the authors and the discovery process to find those materials helped to bolster the case for a new archive unit there. This archive unit has been formally in operation since the beginning of 2010 and is helping to capture the North American side of the HSBC story.

Where will it all end?

We are now about half the way through the new history project with about two-thirds of the book

written but many difficult decisions still ahead – not the least of which is when to end the book. Where shall we draw the line between the past and the present? There are plenty of markers that we could use: a major acquisition; the collapse of Lehmans and the onset of the banking crisis; a change in senior management, or just the end of one particular year. We will make a decision on the end point next year.

We also still face the process of choosing a publisher, and deciding on how the final book will look. With the changing pace of technology and the rise of e-books we will need to keep an eye on the possibilities for innovative formats and distribution. Translations of the book will also need to be discussed as HSBC's customers and staff across the globe speak around 130 languages. We will also need to get approval for the final manuscript from HSBC before we proceed to publication. Although each chapter has been approved by the History Committee as it is written we will need to look again at the whole book in its entirety, in the light of subsequent events and contemporary sensibilities before going to press.

The last thing on the to-do list will obviously be organising the launch party! The new history volume must be ready by 3 March 2015 in time for HSBC's birthday party and we hope that it will be an integral part of the celebrations. While it might not reach the best-seller lists, we hope that it will be a good read. As David Kynaston says: 'Where you have people, interesting characters, different cultures, you have the potential for conflict. Our job will be to examine that conflict and evoke and describe HSBC's culture as the bank grew and the world around it changed.' Let me know if you would like to pre-book a copy.

Sara Kinsey
Manager, Group History Projects
HSBC Holdings plc

The Geldmuseum, Utrecht

The Dutch Geld Museum is young; it was born on February 14th, Valentine's Day, 2004. It is the result of a merger between the three most important collections in the Netherlands: Rijksmuseum het Koninklijk Penningkabinet (the Royal Coin Cabinet), Het Nederlands Muntmuseum (the Museum of the Royal Dutch Mint) and de numismatische afdeling van de Nederlandse Bank (the numismatic department of The Dutch Central Bank). It took ten years of debating before the merger was a fact.

Our historical roots go back several centuries: The Royal Coin Cabinet was founded in 1816, although the origins of the collections can be traced back to the 1750s. This institution held the national numismatic collection and was the most complete. The Mint and Bank both started collecting in the mid 19th century, mainly but not exclusively concentrating on modern coins and banknotes. At both the Mint and Bank over the years, every now and then research had been done by interested librarians and the like. However, only in the last decades of the 20th century were some numismatists employed full-time, enabling a more intensive use of the collection for research and exhibition purposes. At the Cabinet this was more or less standard from the beginning, although in the 19th century the staff

was limited to one person. In the 20th century the number of specialist curators gradually grew to four; one for medals; one for ancient coins; one for medieval coins; and one for modern coins plus paper money. Chairs in numismatics were held at Leiden University by Van der Chijs (1835-1865) and Van Gelder (1976-1983) who concentrated on the medieval and modern period. Numismatic teaching was sometimes also done by professors in other fields.

Today, we manage and preserve a collection which consists of approximately 400.000 objects; it consists mainly of coins, medals and paper money, but also of gemstones, production materials and decorations. All these fields are also represented in our research topics, and we also added one more- a brand new field of inter-



est: the culture of money. Or, to put it differently: What do people do with money and what does money do with people?- in all its external and sociological manifestations.

When the museum opened in 2007, the emphasis in our permanent exhibition was on financial-economic themes. The next step will be to highlight the collection itself, both in permanent and in temporary exhibitions. The kickoff of this new approach is an exhibition of one hundred rare showpieces, named 'Eyecatchers', chosen out of the collections by the curators, who possess an unequalled knowledge of the museum's collection. Their passion for a particular piece and the story behind it is the focus of the exhibition. They can explain why a particular object stands out: in other words, what makes the object a masterpiece. Their accounts offer a rich variety of stories. The hundred objects presented in this exhibition are a cross section of what the museum has to offer, and give an impression of its comprehensiveness. It is a fascinating journey through time and through our exceptional numismatic collection.

I will provide a more in-depth account of the background to the exhibition and the innovations we have made in terms of presentation. Each object, however small, is presented separately, thereby doing full justice to its authenticity. For each object, a story is told or depicted in short films. Our aim here is to encourage our visitors to look at the objects more attentively and to

see the craftsmanship that went into making them. Beautiful, serene enlargements on film accompany the actual objects. In addition more in-depth information on the 100 objects is offered, which can be consulted with reference to a separate database. We also explored the communication with the general public, which presents the exhibition in a lifestyle context, as opposed to that of a numismatic exhibition.

However, the Geldmuseum has chosen not only to exhibit its numismatic collection, but also to create a broader profile for itself as an institution that is involved in financial education and which wants to develop into a centre of expertise in the field of financial behaviour and financial culture. We believe that the modern-day museum also has to find alternative ways of investing its expertise for the good of society.

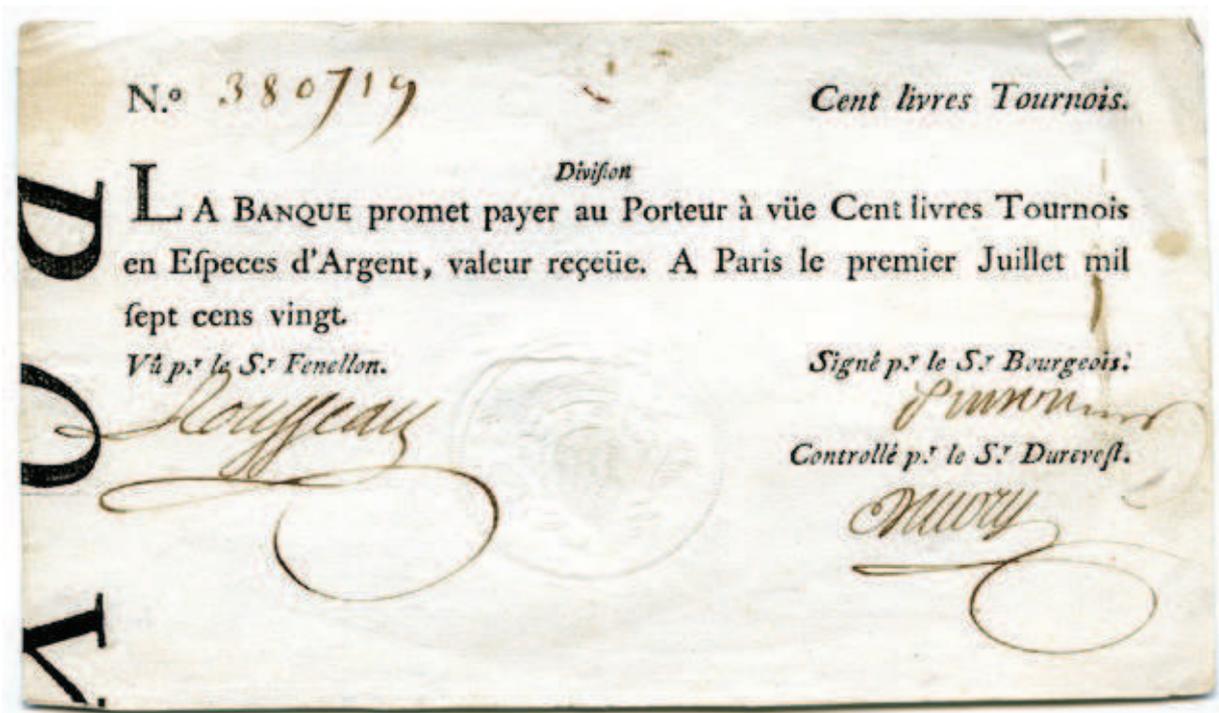
We present the visitor with information on financial behaviour and financial culture through the centuries in our permanent exhibition, which we are currently redeveloping. In reviewing this permanent exhibition, a project we are working on since this year, we are not only addressing numismatic issues but also dealing with areas that relate to money in different ways, such as the history of banks, people's behaviour in terms of savings, the power of money and the notion of virtual money.



Great Cameo, ca. 315 AD, blue and white sardonyx, depicting emperor Constantine and his family



Playing-card money, 2,5 guilders, 1807



Banknote of 100 livres Tournois, banque Royale, 1720

We hope to give substance and shape to financial education, an activity we regard as one of the museum's duties to society. We create dedicated exhibitions with interactive elements for younger people from less advantaged social groups to teach them how to handle money responsibly. We connect with young people's experiences in the structure and content of our exhibitions. In doing so, we also address the question of how these projects relate to our collection, since our projects extend beyond the boundaries of traditional museum exhibitions. Also we explore the issue of how numismatic

museums show their collections to the general public on the web. We have approached the digitization of parts of our collection on the basis of a structured plan. Our aim is to communicate with the visitor, both actively and interactively. We also deal with the importance of internet communication for our museum in determining archaeological finds.

Conclusion: a museum is never finished, in order to survive we have to stay innovative and constantly redefine ourselves.

Christel G. Schoolardt
Manager
Geld + Bank Museum Utrecht



100 guilders spare note 1950, not brought into circulation



The Wegelin Investment Commentary Centenary

The Wegelin Investment Commentary – first published in 1909 - provides an analysis of the events on the international financial markets, and considers future trends and developments. It reaches readers all over the world, with a print run of over 100,000 copies in German, English, French and Italian. The Investment Commentary offers an insight into the independent intellectual approach of Wegelin & Co. Private Bankers, the oldest bank of Switzerland. Its substantial following is due to the sometimes controversial, but always thought-provoking treatment of its subject matter, and its discerning integration of overarching and complex issues. Beyond this, it radiates the author's pleasure in writing and enjoyment of language, which guarantees absorbing reading. Eight pages long and published seven times a year, it has, for the last 20 years, been written by Dr. Konrad Hummler, Managing Partner of Wegelin & Co. The Investment Commentary has also been available since May 2008 as a podcast.

Origins

The records of Wegelin & Co. indicate that the Investment Commentary was first published in 1909. As such, Wegelin & Co. has been keeping its clients informed, in a regular, printed, and often incisive fashion, about the general economic situation, and provided analyses of political and economic issues, and investment recommendations for over 100 years. The Investment Commentary's development has been characterised by different authors, differing formats and various content – as a “Circular” (till 1929), as

a “Bulletin” (1930–1969, 1980–1996), as a dual publication (“Wegelin Exchange” and “Wegelin Investment”), and as the Investment Commentary (from 1996). The authors' intentions, however, have always been the same: to create an atmosphere of trust by providing information, but also to take positions. Emphasising Wegelin's transparent business policy and participating in the public discussion of key themes has been no less important than the maintenance of good relationships with the clients.



Bulletin, 1. Semester 1936

The Project „Investment Commentary Centenary“
 Wegelin’s anniversary analysis reviews the highlights of the Investment Commentary’s one hundred years of history in light of its content and structure, and evaluates it in a historical context. The “highlights” are defined as the actual topics, but also the positions taken by the authors. Wegelin has entrusted the historical analysis of the Investment Commentary to a young Swiss economic historian with an understanding of finance: Stephan Fäh studied general, social and economic history, and constitutional law, at the University of Zurich. He has been working since 2009 on his thesis on the intellectual development and political implementation of American neo-conservatism. A doctoral student at the University of Zurich, Stephan Fäh is currently on a research year at the University of Chicago. Wegelin & Co. is marking the centenary of its

Investment Commentary by undertaking a historical analysis of the publication, putting it in the contexts of the various periods, and showing how it will continue to play a decisive role in the relationship between the bank and its clients in the future. The following brochures are available in German:

- 1 Economic policy considerations
- 2 Europe during the First World War
- 3 Switzerland and the “Roaring Twenties”
- 4 The crisis of the global economics and the thirties
- 5 From the crisis to the Second World War
- 6 In search of the new stability after 1945
- 7 Consolidation as a challenge in the fifties
- 8 Europe’s long way back with the convertibility of currencies

Archive

The Wegelin Archive contains an almost complete set of the Investment Commentaries for the last one hundred years, with the exception of the period 1909–1912. The historical Investment Commentaries are available in German.

Additional information

www.wegelin-investmentcommentary.ch
 Telephone (direct): +41 71 242 58 21
 email: Albena.Bjorck@wegelin.ch

Dr. Albena Björck

**Head of Corporate Communications
 Wegelin & Co Privatbankiers**



Circular No. 95, August 1920

chains developed around the same articles. Archival concerns have included those around conservation, and increasing access to the collections. The nineteenth-century activities of Rothschild are also of interest to the present employees of the firm eager to understand the dynamics of business in a bygone age. This historical knowledge provides a context for current business activities and helps the members of the firm develop a greater understanding of the operations of the bank across time. The Archive itself will participate in, and benefit from, research in its collections in London and in Roubaix, where the archives of the Rothschilds' French bank are housed. This original, inclusive approach will enable researchers to gain as full a picture as possible of Rothschild transatlantic activities and their crucial role within an increasingly global market. This duality of repositories



As a gesture of thanks for financial services the U S Government made a gift of a portrait of President Andrew Jackson, by R E W Earle, to Nathan Rothschild in 1836. The portrait arrived in London just days after Nathan's death, but it remains at the London headquarters of the business he established, a permanent reminder of a special relationship.

and locations makes the Rothschild American collection an ideal target for digitisation. Whilst both collections are available to bona fide researchers subject to authorisation, travelling across the Channel to study both repositories can be a stretch on time and financial resources. Making these collections available through our website will encourage more thorough scholarship.

This article will first briefly consider the significance of the present holdings of the Archive in the context of Atlantic and global history, then discuss the plan of The American Project, which has three distinct strands: research, education and digitisation.

The papers associated with The American Project are of interest for a variety of reasons, primarily the significance of the collection to an understanding of nineteenth – century business and financial history across a larger Atlantic world. A consideration of the activities chronicled in the archives weaves together a world peopled with slaves working plantations in the southern United States, stevedores labouring on docks, porters, carters, spinners in Lancashire, agents scattered across the Americas and financiers in Paris and London. Many of the letters found in either London or Roubaix reveal the precarious nature of the pricing of commodities and the volatility found in American markets, illustrating the tenuous nature of these connections. Transnational approaches to historical study highlight the importance of larger connections across time to developments within nation-states. In the context of American financial history and economic development, these connections are especially pertinent. Life in Early America was characterised by a lack of cash, which impeded economic development and the transition from an economy based in mutuality and barter to one based on the use of money and credit. European, primarily British banks supplied much of the capital that contributed to both financial and industrial development

in the emerging nation. The investment of British firms in commodities like cotton, tobacco and sugar, bonds, banks and as simple purveyors of credit was a vital source of revenue that bolstered self-sustaining economic growth.

Beyond the importance of the collections in terms of illustrating transnational processes and the importance of global connectivity in the nineteenth-century, these papers are also of interest in terms of business and financial history. The letters illustrate how the respective houses worked with (or against) one another, as well as how they handled their agents across the Americas. More fundamentally, a study of this collection reveals the evolution of characteristically modern forms of credit and the development of by now familiar banking practices. The collection also highlights the transition within the Rothschild congeries of houses from merchant to banker, a shift that occurs on the level of practice as the firms changed the ways in which they pursued profit in global markets across the 19th century. This shift roughly parallels similar transitions made by other firms, like Brown Brothers and Brown Shipley, as well as the house of Baring. They also re-evaluate the general significance of the Rothschild firms as merchant as well as banking houses, a double status not always highlighted by scholars.

By the 1820s, the Rothschild partnership was the pre-eminent issuer of loans to sovereign states. Governments regularly turned to the Rothschilds to handle the complexities of state finance. While their initial business activities were based in Europe, in 1834 the London bank of N M Rothschild was appointed banker to the United States in Europe, a position it held until 1843. The firm also provided loans to the federal government and was deeply involved in state and municipal bonds. Additionally both the London and Paris branches of the partnership held extensive stocks in various banks and railways throughout the country. Rothschild relied on the services of agents such as August Belmont in New York and Benjamin Davidson in

San Francisco to handle their transactions and convey market knowledge. Both houses also employed the services of various agents, factors and brokers scattered throughout the American South in their purchase of commodities like cotton, tobacco, and to a lesser extent sugar. Aside from these operations, the London house, in association with August Belmont in New York and correspondents in Cuba and Mexico profited from the sale of quicksilver to eager buyers across the Americas. A vital ingredient in silver refining, Rothschild held a monopoly on the article and profited extensively from its sale in the Americas.

Less apparent to those unfamiliar with the materials in the archival collections in London and Roubaix is the extended debate between the houses over the issue of how to approach American business and more pointedly, whether or not to establish an additional house in New York. In 1837 Nathaniel writes to Anthony "I must say I think we ought to send one of the family there, we have such an immense deal of money in America & God knows how we want it here." Yet both houses freely acknowledge the volatility of American markets and the reckless temperament of the citizenry, as the London bank observes in a letter to Alphonse: "we were very glad to hear that you avoided an accident in trying a fast trotting horse, but you will find while living among the Americans that they are too fast in many more ways than with their horses," Mulling of the issues around involvement in the United States is a perennial pastime both in the private correspondence of the houses in Judendeutsch, as well as in family letters, particularly those between Betty de Rothschild and her son, Alphonse, who travelled to the United States in 1848.

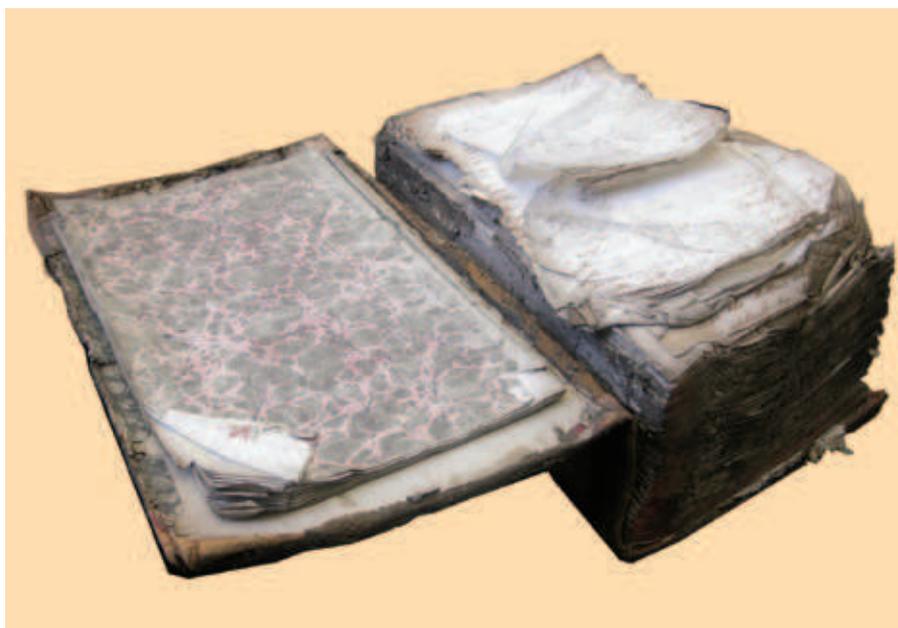
As would be expected given the geographic dispersal of the partners, houses and agents everything was discussed in detail correspondence with all involved parties receiving various letters. Business transactions, suspicions and plans were discussed in a more frank manner

in private correspondence between the houses. An impressive amount of source material has survived, including a series of letter copybooks running from 1834-1925, correspondence from agents and factors involved in the trade in various commodities, market reports, and personal letters. Rothschild worked with sundry brokers throughout the American south when purchasing commodities for European markets. These brokers provided incisive and detailed descriptions of markets, weather conditions and the American political situation as it related to commodity pricing. Additionally, the correspondence from August Belmont contains incisive discussion and analysis of American social and political life. The Belmont letters, as well as the series of correspondence pertaining to N.M. Rothschild's role as banker of the United States in Europe will be of particular interest to scholars researching the US bank wars, Jacksonian America and issues around banking in Early America.

The American Project is composed of three discrete parts that focus respectively on research, education and digitisation. The three elements of the project are mutually re-enforcing and ally very closely with the broader mission of The Rothschild Archive. The research strand of the project will create opportunities for scholars working on the nineteenth-century Atlantic world

to spend time examining these papers in London and Roubaix. We plan that their research, together with work carried out by the Archive itself, will result in a series of publications that will enrich our understanding of this period. We will provide venues for scholars to present their work to larger audiences through the organisation of a series of conferences and workshops in Europe and the United States. The first confirmed event will be held under the auspices of the Program in Early American Economy and Society at the Library Company of Philadelphia in Spring 2012. Additionally we plan to form alliances with other organisations investigating the dynamics of nineteenth-century business and trade.

The education component will revolve around a series of workshops on historical methods and digitisation. We will develop programmes with undergraduates and recent graduates incorporating materials germane to the project. Students who are accepted onto the workshops will not only benefit through the acquisition of knowledge and skills, but will also gain experience of working within a large-scale digitisation project. We plan, additionally, to provide instruction on the incorporation of digital methods and good research practices leaving the students competent to organise their own research. Aside from being of benefit in graduate programmes this skill



One of the key sources for the project is a series of letter copy books compiled by the Rothschild bank in London. Many are already difficult to read as the impression of the ink is not strong, and long-term legibility is therefore less than certain. Most of the pages on which the letters are pasted are in poor physical shape, making frequent handling a cause for concern.

set will also make these students employable on digital projects in archives. Additionally the education strand will be directed towards some of the schools and colleges with which the London bank, N M Rothschild, is engaged as part of its Corporate Social Responsibility programme. Short-term work-experience placements will be offered within the Archive for students at these schools. All of these activities together help fulfil a key object of the Archive, as an educational charity, to promote access to the collections and to demonstrate that it operates for the public benefit.

The digitisation strand of the project is a conservation scheme as well as a means of facilitating access to the Archive's collections in London and Roubaix. The first batch of materials to be digitised has already been identified and will be available in early 2011 on the Archive's website. We plan to begin digitising the earliest materials first, from the 1830s, in a way that will provide users access to various series in their entirety. Collections of papers from the London archives, the papers of the Cohens of Baltimore, Phillips and Josephs of Philadelphia and the records relating to the Rothschilds' tenure as Bankers to the US Government will be among the first to be captured. This material is discretely filed and can be processed in a relatively straightforward way. From the archives of the Paris bank the first records to be digitised will also be the correspondence of agents.

The more complex question of the conservation of materials will focus on an invaluable resource for the study of the global nature of finance in the nineteenth century: the "American Letter Copy Books". The London bank created an American department responsible for all operations in American goods globally chronicling business transactions in China, Mexico, India and Australia, as well as the Americas. The letter copybooks are a chronological account of one house's business activities in an increasingly global world and they are a core source for this project. An initial appreciation of their signifi-

cance, together with a concern for the long-term survival of the volumes provided the impetus for the development of this project. These books, although part of the larger digitisation scheme, raise additional concerns that extend beyond concerns with increasing access to collections and providing online access to materials. Since the volumes themselves are in a state of disrepair and will eventually crumble we must consider not only issues around reproduction but also preservation. The index for each of these volumes has been transferred to a combined index to the series for the period 1834-1860 and this digitised finding aid will be published on the website too.

As the project progresses, it is hoped that the various components of the enterprise will bring together a number of organisations within a highly collaborative framework. It is expected that archives, research groups, libraries, and history faculties with an interest in the study of nineteenth-century transatlantic exchanges, will see the benefits in taking part in this endeavour and we hope the end products will stimulate provocative work in banking and financial history within both national and transnational contexts.

**Melanie Aspey,
Kathryn Boodry,
Claire-Amandine Soulié**

Kathryn Boodry is a doctoral student in the History Department at Harvard University. She has carried out extensive research in the Rothschild archives in London and Roubaix while preparing her doctoral thesis, *The Common Thread: Slavery, Cotton and Atlantic Finance from the Louisiana Purchase to Reconstruction*.

Claire-Amandine Soulié is Researcher at The Rothschild Archive. She was previously project coordinator for the research project *Jewish Philanthropy and Social Development in Europe 1800-1940: the case of the Rothschilds*.

Melanie Aspey is the Director of The Rothschild Archive.

Source of the future

The Alfred Escher Foundation's multimedia edition of collected letters

On August 27, 2010, the Alfred Escher Foundation organized an academic symposium in Zurich, Switzerland, to discuss the opportunities and risks associated with a multimedia edition of Alfred Escher's correspondence. This forward-looking concept met with great approval, and as a broad-based project it should now set new standards for this type of work. The e-Edition will go live in stages from spring 2011.

Introduction

Alfred Escher (1819–1882), businessman, politician and pioneer, left behind an impressive wealth of correspondence. Research in public and private archives has uncovered around 4,500 letters written by or to Escher.

The Alfred Escher Foundation devotes itself primarily to the long-term project of working through this rich source material and readying it for multimedia publication. Escher's correspondence is an invaluable resource, but it has not previously received the attention from researchers that its importance warrants. Within

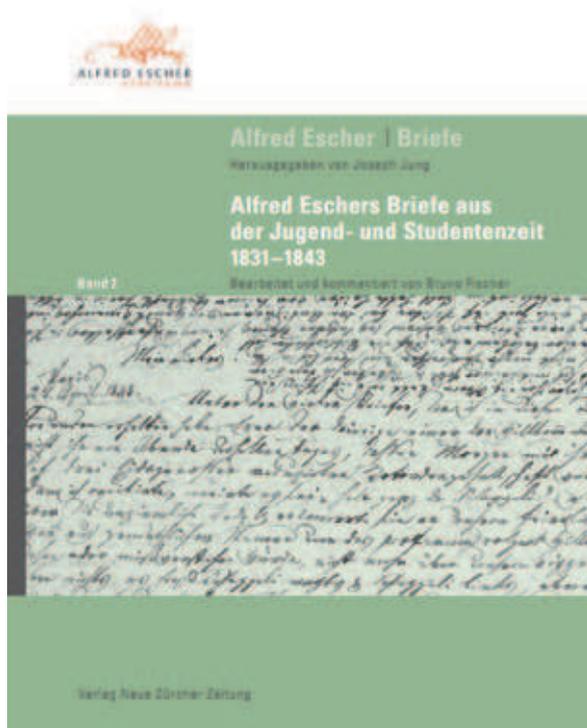
the letters lie rich new insights into some of the key events and trends in Swiss economic and cultural history.

The printed edition of the collected letters is now being complemented by a multifunctional electronic edition: the "e-Edition". This is based on the physical publications but goes much further, offering new opportunities to engage with extensive source collections. In addition, by applying the "single-source principle" production costs for the individual forms of publication are reduced. The term "multimedia edition" refers to the merging of the physical and digital versions.

The physical edition

The aim of the Alfred Escher Foundation's "editions" project is to make the monumental correspondence accessible to researchers and interested members of the public. So far, the foundation has published volume 1 (in three parts), which concentrates on the transalpine railway and volume 2, which contains the letters from Alfred Escher's "youth and student days". Three further volumes are in preparation. These will deal with the various political and economic themes of the time, and are scheduled for completion in 2012. Further volumes will follow.

Volume 2, which appeared in August 2010, provides a fascinating insight into Escher's life as a young man and student. The range of subjects covered is very wide, taking in his travels in Switzerland and Germany, student life, academic enquiries, discussions of political events and first experiences of civic life.



Cover of volume 2, which deals with correspondence from Alfred Escher's youth and student years, 1831–1843.

These editions contain the complete, transcribed content of the letters, plus a full commentary that provides explanations, references to further reading and information about the individuals mentioned. They also include a very useful general commentary that puts the subjects dealt with in the letters in a wider context. Cross references between different parts of the text also allow quick navigation between passages relevant to the reader. Finally, each of the volumes contains a detailed registry of people and places, short biographies of the main figures, and a clear chronological table.

The e-Edition

The Alfred Escher Foundation takes recent changes in communications technology seriously, which is why it is working on a digital edition in addition to the physical publications. The aim is to respond on a broad front to users' needs and to optimize the services offered by the Alfred Escher Foundation. To this end the Alfred Escher Foundation has started the "e-Edition" project. The e-Edition is based on the printed edition and closely follows its publication schedule.

While the printed edition only includes selected letters, the digital edition aims to publish all the letters sent to and by Escher in full. With about 4,500 letters in the collection, this means the digital project will be dealing with a total volume of around 25,000 pages of documents. The letters will be accompanied by additional historical material, including Escher's speeches and lectures, but also minutes, newspaper articles and photographs. The documents will be accessible via various browser-based paths, and users will hopefully find the e-Edition as convenient and comprehensible as possible: access will be simple and the information will be heavily interlinked.

Users will be able to search the letters by theme, correspondent or year. General and advanced search facilities, and entry via indexes and registers will provide far more options than are possible with the printed volumes. As a result,

questions can be answered in greater depth and new, unexpected sources of information can be investigated. The many and varied opportunities provided by digital media are thus being exploited to the full. The letters and other documents are also being made available as digital facsimiles, emphasizing the physical reality of the papers and offering a fully transparent complement to the transcriptions.

In terms of technical implementation, two fixed parameters have to be observed in what is otherwise a variable process. These fixed points are the data model and the data itself on the one hand (XML), and the presentation interface on the other (HTML/CSS-based, using additional technologies where necessary). The data model follows the Text Encoding Initiative (TEI) guidelines – a widely used standard for coding cultural-historical texts and documents.

The multi-media edition of the collected letters



Daniel Hochstrasser, Project Manager for the e-Edition, opens the symposium and introduces the speakers: Ute Recker-Hamm (University of Trier), Patrick Sahle (University of Cologne) and Peter Stadler (University of Paderborn).

opens up new opportunities for interactive usage. This adds value for academic researchers, expanding their research options and room for maneuver. In addition, there will be no restrictions on the viewing or accessibility of the e-Edition. The digital edition is permanently available online to anybody who wants to use it. The doorway to the physical archive has thus been replaced by the central collection of source material. Ultimately this should benefit the world of research as well as the broader general public. The symposium on e-Editions, which took place in Zurich on August 27, 2010, provided an academic platform for exchanging ideas. Librarians and archivists from all over Switzerland attended, as did representatives of major foundations interested in edition issues.



The Alfred Escher monument on Bahnhofplatz, Zurich

The "King of Switzerland"

Zurich-born Alfred Escher was a unique figure in the political and economic life of 19th century Switzerland. The new federal state of 1848 was heavily influenced by his innovative achievements. Alfred Escher was able to use the dynamic mood at the start of the Swiss Confederation's life in a typically "Escheresque" way, harnessing his commitment to economic liberalism to help push through the private sector construction of the country's railways. His energy helped set the necessary technical developments in motion and paved the way for the necessary funding to be provided by banks. At the same time, Escher embarked upon a meteoric political career: by the age of 30 he had already ascended to the presidency of the governing council and national assembly (making him, as head of the legislative body, the "top man" in Switzerland).

In a single remarkable decade, Escher founded a series of major economic and cultural institutions: the Nordostbahn Railway (1882/53), the Eidgenössisches Polytechnikum (1855, now the ETH Zurich), Schweizerische Kreditanstalt (1856, now Credit Suisse), and the Schweizerische Lebensversicherungs- und Rentenanstalt (1857, now Swiss Life). Finally, in 1882 the epic feat of engineering represented by the tunnel through the Gotthard massif was completed. Escher was the CEO of the Gotthard Railway Company during the decisive years, and the railway through the Gotthard is regarded as the crowning achievement of his extraordinary career. No wonder that at the time people referred to him as "King Alfred".

It was the synergies based on Escher's pioneering achievements that ultimately helped propel Switzerland to an undreamt-of economic ascent and to its current lasting prosperity. The institutions that Escher founded made Zurich into a railway hub, a centre of banking and insurance, and a city of research and learning – into Switzerland's largest city and the beating heart of the Swiss economy.

The Alfred Escher Foundation and the portal into the 19th century

In 2006, to mark its 150th anniversary, Credit Suisse established a foundation named after the man who created the bank, Alfred Escher. Alongside Credit Suisse, various other institutions and political bodies with close associations to Alfred Escher are involved in the foundation. The purpose of the foundation is to promote critical and historical research into the life and work of Alfred Escher and to communicate the results to academic circles and interested members of the general public. In addition, the foundation aims to promote primary research and academic enquiry into related themes, and to make a meaningful contribution to the understanding of 19th century Swiss history and its effect on subsequent periods. To this end, a documentation centre is being built up in Zurich with the aim of making available - free of charge - the most extensive possible body of source material, including selected primary and secondary literature. The documentation centre, which should open in 2011, together with an online service, will hopefully be regarded as a portal into the 19th century.

Publications by the Alfred Escher Foundation
As well as the editions of correspondence, the following titles have appeared so far under the Alfred Escher Foundation's imprint:

Jung Joseph, Alfred Escher 1819-1882. Der Aufbruch zur modernen Schweiz, Vols. 1-4, Zurich ²2006 (1116 pages).

Jung Joseph, Alfred Escher 1819-1882. Aufstieg, Macht, Tragik, Zurich 42009 (516 pages).

Jung Joseph, Lydia Welti-Escher. Biographie, ²2009 (454 pages).

Information: www.alfred-escher.ch

Contact: info.stiftung@alfred-escher.ch

Nino Thommen
**Relationship, Client Foundations &
Corporate History**
Credit Suisse Group AG

Banking archives as a source of sport history

Over the last decade, the history of sport has established itself in European universities as a research topic in its own right. Specialists in this area have multiplied work on the social, political and, more recently, cultural aspects of sport. However, the economic aspect has barely been addressed. Yet there are sources. Banking archives, in particular, could provide a substantial contribution to this as yet unknown aspect of the sport history. Societe Generale's archives make it possible to explore three avenues of research. Firstly, banks were called upon for the construction of stadia and for the capital increases of companies organising such infrastructures. The Societe Generale group's historical archives notably include a number of examples of stadium-financing operations. These documents reveal the initial cost of their construction, changes in operating revenue, charges paid to local councils, various taxes, as well as maintenance costs and revenue from admissions. They also include numerous economic forecasts concerning future sports events. It is thus possible to see the evolution of the finances of a number of French stadia such as the ones in Bordeaux, Paris and Brest in the interwar period.

Secondly, banks set up and financed sporting associations for their staff. As well as economic research into the playing areas used by these corporate clubs, in particular the Jean Bouin stadium in Paris that was used by the Club Athlétique de la Societe Generale (CASG), micro-economic approaches to sports clubs are also possible: the sums represented by subscriptions, subsidies, profits and losses for sports events or the proportion of personnel expenses in the budget. Usually part of a general sports tradition, these corporate associations also make it possible to compare the economic importance of each sport. The CASG, for example, relied on tennis to ensure a balanced budget, whilst sports such as football and rugby ran at a significant loss.

Research into this association is made possible through the various reports, minutes and letters preserved by the historical archives department. Thirdly, from the 1960s and 1970s, banks began to use sport as a line of communication. This strategy resulted in the development of sponsorship and financial support for one or more sports. In this respect, it is possible to find out more details, thanks to contracts, regarding the amount of subsidies and their evolution in the case of long-term partnerships. Sponsorship also teaches us about changes in marketing and advertising techniques, the economic stakes of televised sport and the impact of sporting activities on a company's brand image.

All in all, banking archives provide a stimulating perspective to understanding the economic and financial history of sport history that still needs to be written.

Xavier Breuil

This document includes part of the presentation given to the *Paris Institut d'Etudes Politiques* on January 18, 2010 within the framework of the "Sport, société et culture en Europe au 20ème siècle" (Sport, society and culture in 20th century Europe) seminar organized by P. Dietschy and P. Clastres.

EABH Working Group

The historical archives of European Banks and financial institutions are an appreciated source for all historians and researchers interested in Banking and Financial history. But, bank's archives are not only witnesses of their financial history but also a more than rich source for research into the cultural and social history of the European continent.

In order to promote the interdisciplinary relevance of financial institution's archives, the formation of a working group would promise new research chances and new types of fruitful cooperation.

This paper has as a prime objective to present themes which are not only of interest for Historical Departments but even more for the Human Resources, Marketing, Communications and Public Relations Departments of the particular EABH member institutions.

University research of the recent years should be considered. Likewise the participation of young scholars and academics would be very much appreciated.

Gender History in the Banking Sector

The dimension of gender has been integrated as a relevant part of the Human Resources' Departments policies. It would be a great profit to analyze and evaluate the long term effects of their policies. Besides that, a comparative study between the business and the banking sector promises revealing results.

The interdependency of sport, tourism and the financial business

- A historical perspective -

Which is the impact these activities have on the structure of the institution as a whole? How do these social networks within the company influence its structure, standing and success?

How are these activities involved and situated

within the communication and marketing policies of banks and financial institutions? How do these internal structures work as an external representation and image building capacity of the bank? How do these factors determine the internal and external relevance of these activities for the company as a whole?

Another great source for new research would be to explore the financing of these activities, to have deeper insights on the different financial flows from banks to sport and tourism and the direct and indirect returns gained from financial institutions' commitment in these sectors.

Proposal of a working plan

- Annual meetings of all researchers interested or related to the proposed fields
- Implement a strategy to analyze the actual state of the art as concerns the research opportunities offered for a broader public.
- Promoting cooperation with universities
- Organization of symposia related to the field
- Publications

We are open for any suggestions or additions to the concept. Please do not hesitate to contact:

Xavier.Breuil@socgen.com

Or:

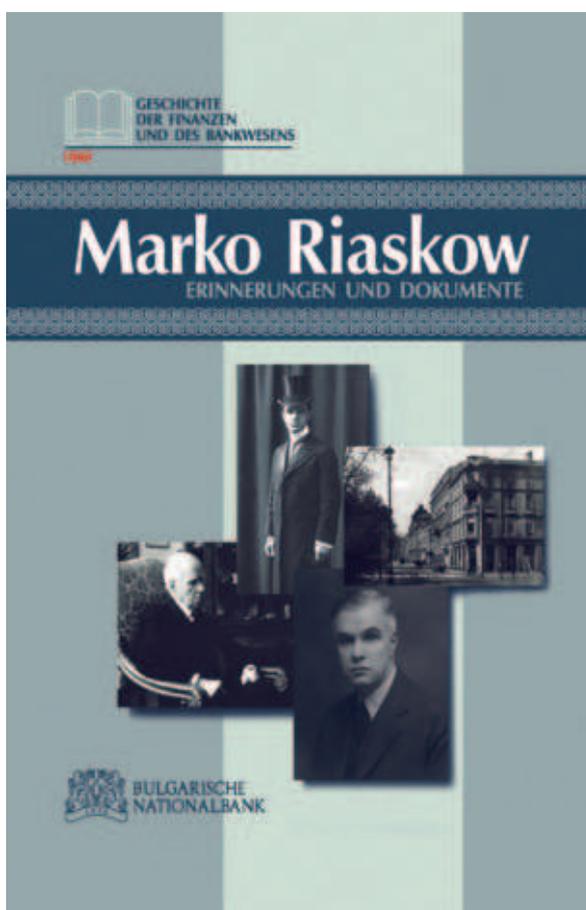
info@bankinghistory.de

Yanowsky, Christo Dimitov
Marko Riaskow. Erinnerungen und Dokumente
Geschichte der Finanzen und des Bankwesens

Bulgarian National Bank (ed.),
 German edition, Sofia 2010.
 ISBN-10: 954-8579-03-0 - ISBN-13:978-954-8579-03-2

The current edition „Marko Riaskow. Erinnerungen und Dokumente“ is the first publication of a book series on the history of finance in Bulgaria published by the Bulgarian National Bank. The edition is available in Bulgarian and German. The book presents the memories of Marko Riaskow, one of Bulgaria’s leading inter-war bankers and is divided into two parts: The first part shows Riaskows memoirs, completed by archival material in the second part.

Marko Riaskow was born in 1883 and descends from a nationalistic-patriotic family with a military tradition. He was a very intelligent technocrat with a strong sentiment of patriotism. After attending the sole Bulgarian business school, he studied in Antwerp and finished his diploma with summa cum laude. Following working for the Bulgarian Agricultural Bank (BAB) and Creditbank, he took the opportunity to study the financial system in Germany. Reappointed by the BAB in 1909 after a short military service, he made traineeships at Banks in Munich and Mannheim to develop a mortgage credit-system for the Bulgarian banking sector, which he introduced to Bulgaria in 1910. Once employed by Creditbank again his rise to one of Bulgaria’s most important bankers began. Even though he was not engaged politically his skills led to the appointment as Governor of the Bulgarian National Bank and Minister of Finance in 1935. Re-entering the Creditbank in February 1936, after a burn-out-syndrome Riaskow moved up to the position of deputy chairman of the institute, for which he worked until 1949 when it was socialized by the Bulgarian soviet regime. While Riaskow mostly writes about his life before the occupation of Bulgaria by Soviet forces in 1944 and the establishment of a communist regime, the archival material shows explicitly the interrogation protocols of the state security apparatus, which let assume the inhuman procedures of the regime against the former Bulgarian elite. After expropriation and forced displacement, Riaskow had to endure two detentions into force labour camps, one of them for three years into the infamous concentration camp of Belene at the age



of 68 years. Insofar the material could help in coming to terms with the Bulgarian Communist past as a whole. Riaskow died in 1972.

In both parts, the book contributes to the understanding of the Bulgarian history in a timeframe from Kingdom, two world wars and the establishment of a communist regime, with a very interesting person as the protagonist. The book helps to reconstruct the historic-social context and the changes of the Bulgarian political, economical and financial order. Especially Riaskow's remarks about the interwar period reveal the political and economical situation in Bulgaria, which is comparable to the German Weimar Republic of the same period. Nevertheless, there are two constraints with the edition: First, the in some ways incorrect German translation, which decreases the reading experience. Second, the problems which are inherent to memoirs in the academic discourse: Incomplete descriptions due to memory gaps by writing in the retrospective and furthermore the natural desire of the author to justify his decisions in the past, where a selective usage of memories and archival material could be used to illustrate the preferred self-image. The latter problem could be recognized in the interrogation protocol No.1566 of 12 May 1951, where you can figure out that Riaskow has visited a party congress of the NSDAP on a business travel to Germany in 1936, which he did not mention in his memories. It is open to question, if this was part of self-censorship because of the ongoing surveillance or if there were other reasons.

Despite these constraints I would recommend the reading of his memories, to get insight into the history of Bulgaria and the Bulgarian-German interwar relationship in the financial sectors. To extend the distribution of the book an English translation would be very desirable.

About the author:

Christo Yanowsky was born on 20. December 1956. He graduated in archival sciences at the Sofia University St. Kliment Ohridski. He is archivist and historian at the Record-keeping and Archives Division, Administrative Directorate at the BNB. Further studies in collaboration with Roumen Avramov are: "The Bulgarian National Bank Collection of Documents in five volumes, 1879–1900; 1901–1914; 1915–1929; 1930–1946; 1947–1989 (in 4 parts)" and "120 Years Bulgarian National Bank". All this books are available on the BNB website.

Christopher Gunkel,
EABH e.V.

The Hellenic Bank Association

The Hellenic Bank Association (hereafter HBA) is the representative of all Greek and foreign credit institutions that operate in Greece. It was established in 1928 and is a non-profit legal entity. It expresses the views of its member banks, provides advisory input to the regulatory process, participates in the decision-making procedures of international, European and national law-preparing and technical committees, and cooperates with other countries' organizations and associations of the financial sector in the context of bilateral or multilateral agreements.

More specifically, the HBA objectives according to its Statute are:

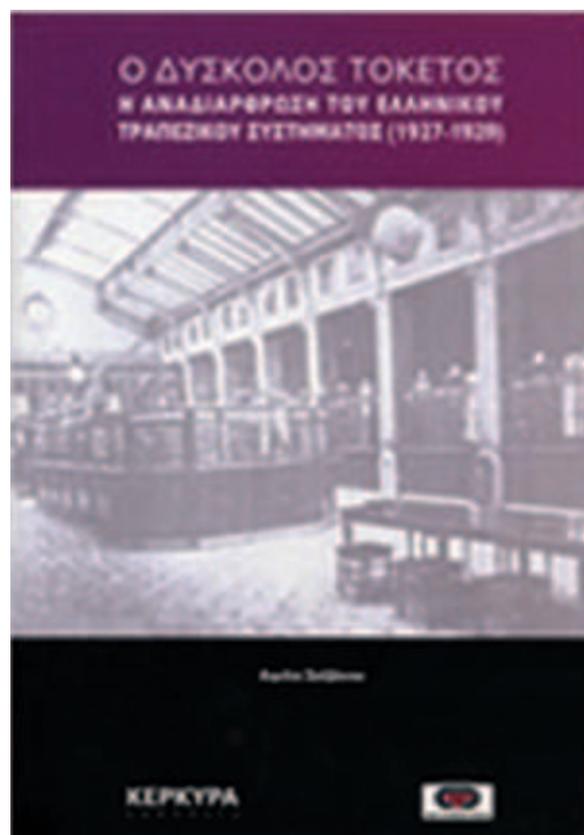
- to promote the Greek banking and financial system, and to contribute to the development of the Greek economy,
- to protect and represent the interests and rights of its member banks,
- to undertake the amicable and extrajudicial settlement of disputes between its member banks and parties in transaction therewith, and
- to promote healthy and free competition in the financial sector.

The HBA specifically seeks to achieve its objectives by:

- informing its member banks of bank-related issues,
- reviewing matters of collective interest and striving to formulate common positions thereto among the member banks,
- representing and promoting the position of its member banks both in Greece and abroad, either independently or in cooperation with financial sector bodies and associations of other countries in the context of bilateral or multilateral collaboration,
- monitoring the regulatory provisions concerning the operation of the Greek banking and financial system, and collaborating with the state and the competent authorities for the formulation of the relevant regulatory framework and its compliance with the regulatory provisions deriving from the implementation of European and international law,
- enhancing public awareness vis-à-vis

the Greek banking and financial system,

- fostering bilateral and multilateral relations with other financial-sector associations in Greece and abroad,
- promoting research, by means of research programs, into matters concerning the Greek banking and financial system,
- supporting measures required to improve the productivity and competitiveness of the Greek banking and financial system,
- encouraging the establishment of inter-bank bodies or other legal entities that aim at effecting joint action by the Greek banking system, and amicably and extrajudicially resolving



disputes between the member banks and parties in transaction with them while ensuring the effective administration of the said bodies and legal entities,

□ developing training initiatives through the provision of vocational training services, lifelong learning and skills acquisition for employees of its member banks or other third parties, mainly with regard to the operation of the banking system and the provision of financial services.

HBA publications

Since 1984, the HBA has been engaging in extensive publication activity, aiming at the diffusion of valid information and knowledge on key issues related to the financial services sector. There are regular and individual publications.

Regular publications include:

1. The HBA Annual Report
2. An annual study-review of the Greek banking system. The latest is entitled The Greek banking system in 2009

Individual publications may be classified in four broad categories: monographs, training textbooks, codes of banking ethics and information leaflets.

The HBA monographs may be categorized as follows:

1. Financial issues
2. EU-related issues
3. International commerce rules
4. Proceedings of conferences and
5. Banking history

The latter includes the following titles (all published in Greek):

1. Banks in Greece 1898-1928
2. The currency (reprint of a 1902 publication)
3. Cooperation and competition: the 70 years of the Hellenic Bank Association
4. The currency and politics in Greece (1830-1910)
5. A difficult birth: the restructuring of the Greek banking system (1927-1929)

Further information on the HBA is available at the website: www.hba.gr



Agricultural Bank of Greece

The Agricultural Bank of Greece would like to introduce itself to the members of the EABH by presenting the publication: *The Mansion of the Agricultural Bank of Greece*.

Since the very date of its foundation the institution has enjoyed the privilege of residing in one of the most elegant neoclassical buildings of Athens, the Serpieri mansion.

Closely linked to historical events and social developments of a hundred years time, the mansion housing the ABG premises is of great aesthetic and architectural value; like an ark, it gives shelter to significant samples of artistic creativity and cultural heritage.

The Bank has endeavoured systematically to preserve it, in particular during the capital's post-war riotous "reconstruction", which caused the destruction of many outstanding pieces of neo-hellenic art and architecture. This task is still carried forward, though with an additional aim: to unveil to the public the wide spectrum of artistic works now "hidden" in the neoclassical building of the Bank, to which only a few employees have access.

This publication reflects the wider social role

and the multiple aims of ABG; we hope it may constitute a small but significant contribution to the preservation of belongings of our cultural heritage; of works in risk of destruction, attacked by the merciless passage of time as well as by modern patterns of housing and town-planning.

The Agricultural Bank: a short chronicle

It is almost impossible to study the course of the Agricultural Bank's establishment in isolation, disregarding its coherence with the Agrarian Question, the great financial social and political problem of modern Greece. ABG's foundation in 1929 was not a matter of coincidence; it was an accomplishment of the varying needs of the rural population, achieved through the particular agricultural policy of that time. This policy brought about solutions to burning problems, which had been tormenting rural people for quite some time: the partition of land and how to finance rural production.



The serpieri edifice before 1929



The left part of the edifice

...created in geometrical harmony, monuments of institutions, conceptions and laws,
 ---thou, mortal man, use your prismatic vision, watch, mediate, respect...
 (Aristomenis Provelengios)

The great “Agrarian Reform”, announced by the provisional government under Eleftherios Venizelos in 1917 in Thessaloniki, paved the way for expropriation of feudal estates and their partition among rural people. Thus, the struggle of land-cultivators for social and agrarian reform, culminating in the Kileler-massacre in 1910, had proved fruitful: the great issue of partition of land was heading towards a solution.

In 1929, efforts were made to finance rural production by founding the banking institutions of the prefectures of Epirus and Thessalia, but measures taken were insufficient. Furthermore, agricultural credit granted by the National Bank’s funds allotted to the agricultural sector covered only short-term loans, and then without sufficient time-allowance and at detrimental interest rates. On the other hand, as no long-term loans were granted, small farmers could by no means enlarge their estate, up-grade their machinery or undertake land reclamation works.

Chrysos Evelpidis comments quite explicitly in his book of 1929 Agricultural Planning: “The ones who mainly benefited from agricultural reg-

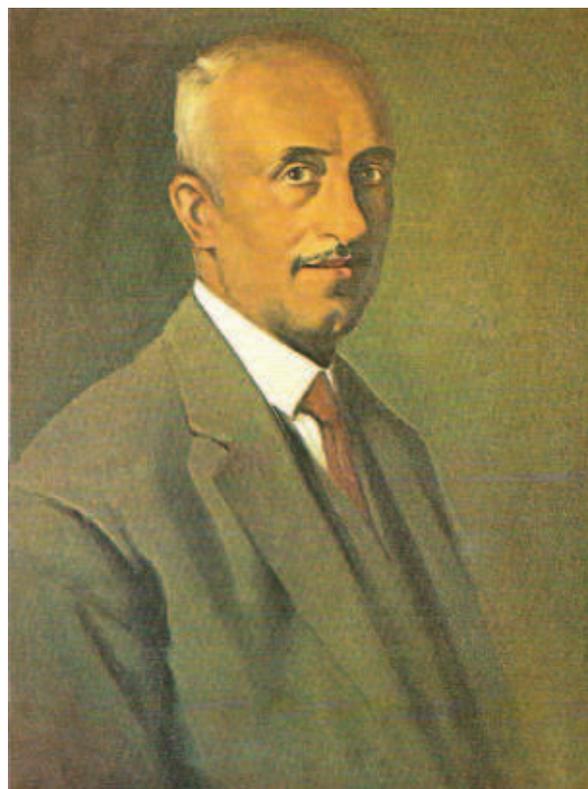
ulations were the landlords that made business by borrowing money from the National Bank at a rate of 6% and lending it to their own benefit to farmers at a rate of three times as high... Thus, the National Bank functioned, indirectly, as the latent promoter of usury in our country, a plague to farmers ever since, especially by lack of cooperatives.”

In the light of this inadequate credit policy towards agriculture, the request of farmers and progressive politicians was justified: they demand the creation of a credit institution specialized in the agricultural sector. It should be a welfare credit institution that would meet the farmers’ financial needs, instead of seeking profits, so as to forward the development of Greek agriculture. It should help agricultural credit evolve, by rationally organizing cooperatives, by coordinating efforts to up-grade agricultural economy, and thus improving the farmers’ life standard as well.

The process of establishing such an institution was initiated and progressed by the Minister of Agriculture at the democratic government under



Hector Doukas Gontikas portrait



V. Sidakis Papamastasiou portrait

President Kafandaris, Alexandros Papanastasiou. As the establishment of the Agricultural Bank was announced, a storm of protest rose from the conservatives, who contended any action promoting the modernization of agriculture. A vortex of tumultuous protest and premeditated polemics occurred against the enthusiasm of those who supported the idea of establishing such an institution. On 3 July, 1929, the Prime Minister Eleftherios Venizelos introduced a Bill before Parliament, which was finally passed on 15 July 1929. Thus, the Agricultural Bank of Greece was established with the objective to allot agricultural credit of all kinds, to enhance the cooperative structure, and to ameliorate the conditions of agricultural activities and relevant transactions.”

But the newly founded Agricultural bank failed to manage agricultural credit in the way it was expected to by farmers and viewed by its founders. ABG inherited not only the funds, but also the officers of the National Bank and their narrow-minded banking policy.

ABG adopted a conservative credit-policy; it caused the degradation of the cooperative movement into a vehicle of the state’s cooperative policy; its partisanship shook the farmers’

faith. Moreover, unfavourable political developments in Greece, as well as the international economic crisis had a negative impact on the ABG’s activities, impeding any attempt to bring about improvement.

During Metaxa’s dictatorship the war, the foreign occupation, and the civil war funds previously allocated became irretraceable. After the war was over, ABG even relied on credit granted by the Bank of Greece, a fact that resulted in financial dependence.

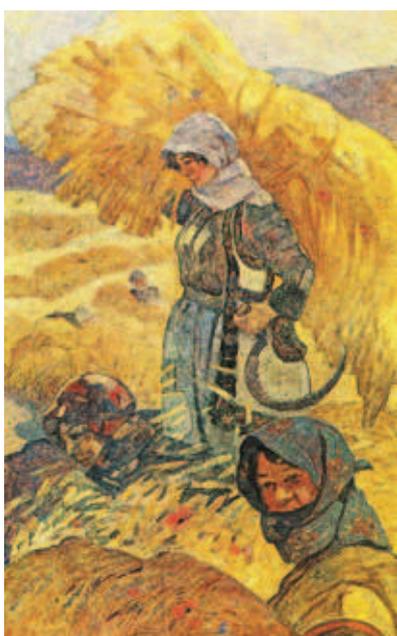
In 1991, ABG’s status changed into a Societe Anonyme in the framework of the Second Banking Directive of the European Union; it enjoys a high repute on international level and ranks among the 500 largest banks worldwide.

In January 2011 the Agricultural Bank of Greece was admitted to the Athens Stock Exchange.

In the 73 years of its activity, it has managed to combine rationalism with awareness, and apply modern banking while contributing to development.

ABG is more than just a Greek agricultural bank that has obtained a prominent position, as a result of its contribution to rural development and to raising the Greek farmer’s life standard. ABG is also a dynamically evolving financial credit

A few impressions of The Agricultural Bank’s Gallery:



Epam.Thomopoulos - Harvest



Epam. Thomopoulos - Shepherdess



V. Germenis - Ploughman

institution, able to provide all modern banking products in a prestigious and reliable manner, which is essential in the context of current market conditions. Nonetheless, ABG offers its sustainable contribution within a field of major importance in human development, namely in the domain of culture.

The Album of the Mansion of the Agricultural Bank of Greece was published in 2011 on behalf of the Agricultural Bank of Greece S.A.

The publication seeks to offer a comprehensive view of the old Serpieri mansion, through a flashback to the era in which it was build, to its first owner, to its architect and its construction, and to its functions and decoration. Illustrations naturally play here the most important role; pictures showing integral works or focussing on details of paintings and decorative elements, as well as some of the objects that had remained in the building when it was acquired by the Agricultural Bank of Greece. The text seeks to reveal issues relating to the era in which the building was constructed, to the story of the building itself

and the architectural trends of that period. The text provides also further information about facts and problems related to building itself and to the era it was created for any reader who might be interested in specific topics.

Through the detailed illustration and information of the architectural characteristics, the internal decoration and art gallery, the reader gets not only an outstanding look at a building of the nineteenth century, but also a great insight into the history of the National Bank of Greece and hence a greatly illustrated lesson in Greek history.

Chrysanthos Christou

Professor at the Athens University
Agricultural Bank of Greece S.A.

Communication Division
19, Edward Law Str.

105 64 Athens
Athens 2002

Art Direction. Panayotis Gravvalos

Photographs: Yiannis Glynos

ISBN: 960-8405-22-X



THE MANSION
OF AGRICULTURAL BANK OF GREECE

For the EABH bulletin text edited by Carmen Hofmann

The Fifth Annual Conference of the South-eastern Monetary History Network (SEEMHN)

On 15th-16th April 2010 the Fifth Annual Conference of the SEEMHN took place at the premises of the Central Bank of the Republic of Turkey (CBRT) in Istanbul. The SEEMHN is a community of financial historians, economists and statisticians established in April 2006 on the initiative of the Bulgarian National Bank (BNB) and the Bank of Greece (BoG). Its objective is to spread knowledge about SEE monetary history and policy as an integral part of the European experience. A conference on topics of interest is organized annually and hosted by a central bank of the region. The lessons drawn are crucial in explaining the present and shaping the future. Nowadays, the lessons of historical experience become even more important. And this is because the deep knowledge of the past experience helps policy makers not only in determining the driving forces of the current global crisis and undertaking coordinated policies to cope with it, but more importantly allows them to set a framework for prudential supervision so as to effectively prevent future crisis events.

The first day, 15th April 2010, was devoted to the 6th meeting of the SEEMHN Data Collection Task Force. Since no empirical research can be done without reliable data, the SEEMHN DCTF aims at establishing a historical data base with 19th and 20th century's financial and monetary data for the countries in the region. The representatives of all seven participating SEE central banks presented and discussed the progress made so far. They agreed to fasten the process of the publication of a data volume including the final output of this joint venture. It will contain a newly developed data base including the main monetary and macroeconomic historical time series from 1914 and beyond up to 1950. Three central banks, namely the BNB, the BoG and the OeNB, take a lead by providing the necessary

human resources, money and time. The envisaged data volume is scheduled to appear by the end of 2011.

The second day, 16th April, was devoted to the conference papers' presentations. The topic of this year conference was Monetary Policy during Economic Crises: a comparative and historical perspective. South-eastern Europe has a rich history in crises. During the 19th and the 20th centuries all countries in the region were prone to different varieties of economic and financial crises and monetary authorities strove to sustain monetary and financial stability. The Conference put at centre the history of economic and financial crises in emerging market economies and discussed individual and coordinated monetary policy responses to resolve them. An emphasis was placed on the evolution of financial market regulation and the post-crises regulatory responses. A comparison of the crisis experience of advanced countries with that of the emerging market economies might serve as a useful analytical framework to draw important lessons for resolving the current crisis (since 2007) and preventing future crisis episodes.

Academic scholars and central bank research economists took the chance to present their recent work on this topic. Şevket Pamuk (LSE and Boğaziçi University) gave a warm welcome to all participants. The Deputy Governor of the CBRP M. Ibrahim Turhan delivered the opening lecture on bubbles, crises and central banks, and the lessons drawn by past crisis experience. Eugene White (Rutgers University and NBER) delivered the key note speech on the forgotten policy instrument: bank supervision and financial crises. He addressed two questions: first, what are the institutional arrangements for the best bank supervision and, what are the best regulations and tools for bank supervision.

The conference continued with the presentations of the session papers. In the two morning sessions on Regional and Comparative Studies, Kalina Dimitrova (BNB), Luca Fantacci (Boconni University) and Ali Coskun Tuncer (LSE) discussed monetary policy pursued in four SEE countries in their transition from bimetallism to the gold standard. Matthias Morys (University of York) and Martin Ivanov (Bulgarian Academy of Sciences) constructed business cycle indices for SEE from 1870s to 2000. They addressed four questions: (i) has there been an identifiable regional business cycle? (ii) if so, to what extent has this business cycle been synchronized with western Europe? (iii) how volatile and how persistent have SEE business cycles been compared to the core countries of western Europe? And (iv) has the SEE business cycle exhibited characteristics similar to the stylized facts of business cycles? Moreover, Michael Artis, George Chouliarakis and PKG Harishandra (University of Manchester) expanded the scope of earlier research on the effects of globalization on cross national business cycle linkages by looking at national business cycle co-movements since 1880 up to present. The morning sessions closed with a paper presented by Eric Girardin (University Aix-Marseille, 2) on how long does it take for a coin to sail eastward? He examined European co-movements, bullion inflows and inflation in Ottoman times.

The two afternoon sessions were devoted to the crisis experience of the peripheral countries in the first era of globalization. Seyfettin Gürsel (Bahçeşehir University) and Şevket Pamuk (LSE and Boğazici University) analyzed the macroeconomic policy pursued in Turkey during the great depression. They focused upon the transmission of the crisis to Turkey and which were the policy responses. The paper by Federico Barbiellini Amidei and Claire Giordano (Banca d'Italia) was referred to the regulatory responses to the 'roots of all evil' by comparing the re-shaping of the bank-industry financial

market interlock in the US Glass-Steagal and the Italian 1935 Banking Acts. Amélia Branco, Nuvo Valério and Rita Martins de Sousa (Universidade Técnica de Lisboa) recorded the Portuguese experience during the two crises episodes in 1891 and 1929.

Branko Hinic, Milan Sojic and Ljiljana Djurdjevic (National Bank of Serbia) presented the Serbian crisis experience during the interwar. Choosing Greece as a working template Sophia Lazaretou (Bank of Greece) aimed at tracing the long record of financial crises and financial market regulation from the perspective of an emerging economy. She addressed two questions: first, what explains the incidence and severity of financial crises in an 'emerging' and, second, what is the role of learning. By exploring the Turkish crisis experience over the last 30 years and the lessons drawn, Yuksel Gormez and Serkan Yigit (CBRT) examined monetary policy under stress. Arta Pisha and Besa Vorpsi (Bank of Albania) studied the monetary policy responses followed by the Albanian monetary authorities to resolve economic crises during the two world wars. Martin Pontzen and Franziska Schobert (Bundesbank) closed the last afternoon session. They tried to assess central bank losses for the Bundesbank after the breakdown of the Bretton Woods system.

The conference also included two parallel sessions. In the first one on economic recession and financial instability, Žarko Lazarević (Institute of Contemporary History, Ljubljana) studied inflation trends in Communist Yugoslavia. He placed an emphasis on six inflation waves covering the period from 1956 to 1989. Further, Kiril Kossev (Nuffield College, Oxford) recorded the experience of the interwar SEE in domestic productivity and foreign investment.

The second parallel session concerned the role of policy in coping with crises. Clemens Jobst (OeNB) informed us of what can be learned by reading central bank balance sheets. He con-

cluded that balance sheets reflect efforts by central bankers to influence financial conditions in addition to short term rate to re-establish transmission mechanism and further stimulus when short term rate has reached lower bound. Besnik Fetaj and Izet Zeqiri (SEE University, FYROM) using the data figures for the FYROM economy examined the impact of monetary policy and the exchange rate regime on real GDP and prices. The session closed with the presentation of two other papers. Dragana Gnjatović and Vesna Aleksić (Megatrend University, Belgrade) dealt with agricultural debt consolidation in the inter-war Yugoslavia. Last but not least, Ivo Maes (Central Bank of Belgium) referred to the origins of the BIS macro-prudential approach to financial stability. Special emphasis was placed on Lamfalussy's significant role in shaping the 'BIS view' of financial stability.

The power point presentations of the conference papers are uploaded on the Central Bank of Turkey website: <http://www.tcmb.gov.tr/yeni/konferans/SEEMHN.html>. Selected papers will be soon published in the Conference Proceedings Volume, co-edited by Professor Şevket Pamuk and the CBRT.

Forthcoming events:

The Sixth SEEMHN Annual Conference will take place on Friday, 18th March 2011. It will be hosted by the National Bank of Romania at its premises in Bucharest. The topic of the conference will be Monetary Policies and Banking Institutions in South-eastern Europe between National Objectives and European Patterns – a Historical and Comparative Perspective”.

For more details on SEEMHN activities you could visit the related link in the BoG website:<http://www.bankofgreece.gr/Pages/en/Publications/Studies/seemhn.aspx>

Sophia Lazaretou
(Bank of Greece)
SEEMHN Coordinator
Member of the Scientific and Organizing
Committee

...The art of good communication...
International Summer School - The Archivist as a Communicator

This year's EABH International Summer School followed up the archivist's definition of communication and how to communicate successfully with internal and external partners in the archival business. The programme had been devised by the University College of London, the Business Archives Council, The Rothschild Archive and the European Association for Banking and Financial History.

It is my pleasure to provide you with an insight of the programme, some brief summaries of the session's content as well as a few personal impressions. The course was opened by Victor Gray who addressed the participants with some wise welcoming words: "I certainly think it is fair to argue that the very essence of the archivist's role is to communicate".

It is needless to say that there are various levels of communication, different topics to communicate and there is, at first glance, a more obvious need for good communication in some environments than in others. Nevertheless communication matters. But what is good communication? How to communicate successfully? How transmit the message accurately? How to find the right approach for the target groups? How to affect the target group's behaviour effectively? How to avoid misinterpretation? How to avoid the failure of communication caused by unequal power relations? What is communication anyway?

It is clear that communication stands for much more than mere transmission of information. Communication is social interaction; a reciprocal, dynamic and creative process. Communication is determined by regional traditions, culture, gender, education, hierarchical structures, the present situation, interference factors, etc. Communication is complex.

How to approach this complex, dynamic, creative and vague concept in order to define it clearly and to use it as a tool in the archivist's daily routine? How could the professionals in-

involved in the archival and records management business especially effectively communicate and promote archival work, and report on the achievements of the archive? Approaching some answers to these complex questions would be the challenge of this year's International Summer School. A group of banking and business archivists, historians and records managers from all across Europe accepted the challenge and enjoyed fruitful sessions in London.

This excerpt of Victor Gray's welcoming speech got to the heart of the meaning of communication for an archivist right before the course even started; and encouraged us with strong motivation to start a week full of the exchange of ideas, experiences and knowledge in order to illuminate the field of communication from different perspectives.

"...but I would suggest that not only the ability to communicate our intentions, our plans, our values, is an essential part of being a successful archivist. I also think that, at a deeper level, it is actually very close to the heart of what we try to do as archivists. Are we not acting as cartographers, drawing maps so that people can find their way to the knowledge locked up within an archive? ... What are we, if not the bridge or interpreter between the past and the present? ... So there, I think, is an important lesson about communication. You will be judged, time and again, in every interaction or communication with a user, not just by the quality of what you say, but by the way in which you say it... We now have the chance to talk to almost anyone who has access to the web, but what is it we want to say to them – about what we are, what we do, what we can offer? And who is it we want to talk to anyway? Communication may be an essential part of what we do, perhaps the most essential part, as I hope you will be convinced by what I have already said, but how much and with whom? ..."

We started learning with "learning about our-

selves". In the first session Linda Dennis (N.M. Rothschild & Sons Limited) introduced us to the Myers Briggs Type Indicator and presented the results of an online test which all participants had completed beforehand. The test aimed to identify which four of sixteen different personality types best described our personalities in a positive and constructive way, assuming that personality is inborn and not alterable. Through the understanding and appreciation of the different types, communication should be improved and influence on it could be enhanced.

Where do we get our energy from? - Which is the way we take information? - How do we make decisions? - How do we organise ourselves? - These were the four main questions that had to be answered through choosing one of the two principal ways to react to each of the questions. The decision to be taken on the first questions was: Are we more extrovert or introvert types? For instance an extrovert would make decisions by thinking aloud whilst an introvert would prefer thinking things through. According to that scheme we had to answer all four questions. Finalizing our self-assessment according to the specified Myers Briggs, we received a type description consisting of four different letters that described our preferred reaction to the questions mentioned above. Receiving the external assessment experts had prepared using the online questionnaire, we realized that most self-assessments matched exactly with the experts' evaluation.

After all the evaluation and testing, everybody had a certain combination of four letters, describing the categories of his personality. It had been fun, had been quite interesting, but what should it be good for? Wasn't it just a test made under certain circumstances that could have brought about quite different results for everybody in a different environment? Could we really assume that we were that certain type in all situations just because we took a theoretical decision in a certain moment? Are we a certain type because we act in a certain manner? Or is it just we are beginning to act in a certain way because of being told that we are a certain type

that should act in that combination? Should we assume that types and likewise humans have unalterable character traits? If nothing else, which should be the connection between this psychological evaluation, communication and an archive? Naturally giving a general answer is complicated, nevertheless describing our own preferences we had some great insights into our self-assessment compared to the external assessments, which is no harm to do every now and then. Peoples' different preferences have to be balanced to achieve good communication and effective team work. Knowing our own personality and the preferences of the counterpart is essential. Knowing the other's type would help to plan our influence strategy or avoid conflicts. So we had learned the first important lesson about good communication: knowing ourselves and observing others is essential to communicate successfully. Identifying and analyzing the archive's target groups as well as the decision makers they are depending on, keeping in mind these psychological considerations, could be of great help to us when it comes to taking the right decisions and communicating them successfully. Why are we archiving/ cataloguing? To whom are we communicating? These were the main questions to be discussed with Jennifer Bunn (UCL) in the following session. What is archival description? What makes description archival? What is communication? In what sense is the archivist a communicator? What is the connection between archival description and communication?

First answer: two hours are far too short the time to even achieve more than the idea of an answer to questions like: How to define "the whole and its parts (and the whole that is more than its parts)"? How to successfully preserve meaning, exercise control over the preserved material and provide users with access?

The complex framework the archivist has to work on includes the intellectual, physical and administrative resources archival description requires, arrangement and description, provenance and original order, process and product, context, content and structure, connecting and

delimiting, naming and framing, location and understanding, control and communication. This whole list of important keywords leads directly to the second important conclusion most of the participants drew out of the session: it would be desirable to have special training just on these topics, on what is archival description?, what is the connection between archival description and communication, and how to describe them in order to communicate successfully? I would like to take this opportunity to ask all of you readers who might be interested in organising, contributing or participating in such training or just might have or some concept or good inspiration to please contact the EABH office in order to share some ideas and ways forward on this topic. Please contact: info@eabh.de

The second day, Alex Ritchie (The National Archives) gave us an understanding of the National Business Archives Strategy. The National Business Archives Strategy grew out of the 2004 report of the Archives Task Force, which had investigated and analysed the overall state of the archive sector in the UK. The group was a partnership between The National Archives, the Business Archives Council and a consortium of other interested organisations. In July 2009, the strategy was launched with the publication of the Corporate Memory brochure.

The strategy objects do no less than convince business itself of the commercial value of archives. Archives and archivists often play a key role in new product development or in re-visiting a company's heritage as a source of inspiration, particularly in the retail sector. The NBAS aims to promote the view that history does not only reside in the records of government and politicians, but in its business records, as business was the driving force (and it still is) that made countries rich and likewise powerful and politically important. There is a job to do in terms of improving the care and management of business archives. The Managing Business Archives website has gathered together a lot of information that previously existed.

Alex Ritchie describes the main tasks of the NBAS as follows:

Develop strategies or protection for company records in case of failure and work on the legal framework.

Enhance dialogue between administrators, liquidators, archivists and historians (finding a central point, for instance the Insolvency Practitioners Association).

Encourage existing business archives as well as the foundation of new ones.

Help to avoid isolation of business archives, within the archival sector and the corporate body.

If the National Business Archives Strategy succeeds in increasing the flow of deposited business records, that may create problems of a different nature. How would the nation's repositories cope with the physical bulk and associated issues, including preservation and cataloguing of large business deposits? According to Alex Ritchie an increase in capacity and adaption of the existing archival network is to be preferred to a wholesale re-organisation of national archival provision, which is in any case unlikely. He concludes that The National Business Archives Strategy has addressed these and other issues, thought it has not yet solved them. The tools they use to do so will be:

1. Awake greater awareness through more effective advocacy.
2. Public relations work using web resources, leaflets and the press! There has already been interest which should be directed to its best effect.
3. Recognition by The National Archives online directory of repositories, or the table of professionally managed business archives, on the Managing Business Archives best practice website.
4. Timely intelligence about business failures and close co-ordination between interested parties is still needed and will be dealt with by the crisis response team.

You will find free advice on your business archive on the following homepages:

www.managingbusinessarchives.co.uk

asd@nationalarchives.gsi.gov.uk

In the afternoon the participants had the chance to visit the Guardian Newsroom, where the archivist Mariam Yamin warmly welcomed everybody. After a brief introduction to the history of the Guardian and the Observer we had a tour through the quite impressive new premises of the newspaper, had a closer look at the archive, reading room and the basement storage facilities. The archive not only holds official records of the Guardian and the Observer but also seeks to acquire material from people who have been associated with the papers. In addition to the corporate records, the archive keeps correspondence, diaries, notebooks, original cartoons and photographs related to the staff of the papers. It does not hold copies of the newspapers itself. You definitely should visit the Guardian Online Archive and the associated catalogues and exhibitions, which provide users with high standard research possibilities:

<http://www.guardian.co.uk/gnm-archive>

A crucial part of today's business communication is a company's internet presentation. As a matter of course we dedicated one day to the "mystery" of web page construction. Andrew Dawson (UCL) introduced us to the key facts of this business and after a practical session where everybody succeeded in creating his own "page", he managed to convince us that constructing a website is nothing more than using the right language, the right codes in the right order, no more than this – but also not less. Afterwards, the group had an insight into the Museum of the Mound (Bank of Scotland) with Helen Redmond Cooper (Lloyds Banking Group plc). We had the chance to learn about the strategy of the museum that opened in 2006. We began having a close look at the museum's exhibition that ranges from the history of money, the changing face of Edinburgh, the history of Victorian Britain and the rise of the building societies to life assurance in the 1820's and the changes in the world of work and leisure. In the main part of the session we experienced one of the guided tours that present money as a cross-curricular topic to British pupils. Following the question What is money?, the group investigated and

handled different artefacts that once were used as money, looked at the details of banknotes and investigated how banks and savers kept their money safe. Beside the tours, the museum is developing a new interdisciplinary money resource for schools to study money as a cross-circular topic related to social studies, expressive arts, technologies, numeracy and literacy. Helen Redmond Cooper made us very aware that the concept not only implies learning about the history of money but to experience history of money and banking and its world changing impacts. Banking history is relevant and should be represented within class room teaching. For further details on the story of money, please visit: www.museumonthemound.com.

On Thursday the group visited the HSBC main quarter at Canary Warf, where Tina Staples, the Global Head of HSBC, archives welcomed us to spend the day on the building's highest floor. Despite the great view of the city, Adam Blackie (WebSmart Group www.WebSmartgroup.co) managed to draw our attention to his session about Change Management.

We began the workshop with an introduction into the theories of change management, leadership and motivation, followed by a practical exercise, "The Change Line", where participants were asked to work in groups and to reflect on their own personal experience during the exercise. Participants were asked to form two groups and to face a partner in the opposite group. The groups then faced away from each other and were asked to change some aspects of their personal appearance. The instructions given were minimal. The task was repeated three times with increasing levels of complexity. The objective of the task was to enable the group to experience a brief period of increasingly complex change. The group summarised its thoughts and feelings for discussion with the other group; the feedback was polarised. The first group reflected a relatively cautious approach to the exercise. They felt that they were being observed, and as a result felt somewhat awkward and under pressure. The second group felt that the exercise was fun, different and useful. They observed how different

people had responded in different ways. Overall it was also noted that the participants varied in the level of their commitment, inventiveness, competitiveness and mutual support for each other.

Amongst other lessons, this short exercise demonstrated how different people are and how differently they act when managing change. This is particularly important if we have to overcome the initial stages of a change cycle i.e. the shock of the change and the subsequent resistance, which is the immediate reaction of most groups. The session was closed with a brainstorming session on Future Trends, where the group was invited to identify the factors that are likely to cause change in their own working world and to present these to each other for discussion. The discussion produced a good range of comments. Afterwards Adam Blackie added the following headings to the discussion list:

1. Digital Continuity – How to ensure that old digital formats remain readable?
2. Digital preservation – How to ensure that digital records do not degrade over time?
3. How to decide what to keep in a world where digital information continues to expand at exponential rates?
4. Networking and applications technology – promoting new ways to work, new types of organisations and new types of records.
5. The impact on personal privacy that digital networking undermines. How will people try to manage what others know about them in a digital world?
6. The ownership of personal data. Is it safe to assume that organisations will continue to own data that they produce about others?
Each of the above could be the catalyst for change for an archivist in any organisation.

Finally we were able to agree on the following conclusions:

1. Technology such as digitalisation, use of social media, wiki's and mobile working technology will continue to affect the way information is produced and this has implications for archiving. The way information is produced

and managed will affect archivists.

2. Organisations are under pressure for resources in a worldwide economic crisis. Resources for support services such as archiving – people and money – are likely to reduce.
3. If archives are at the end of the information management lifecycle, how can archivists become more influential at the start of the lifecycle?
4. Mobile and flexible working in multiple locations, on multiple systems and using multiple technologies will affect the way information can be collected. There is no longer one source for all records.
5. Finally, the politics of how personal information is used in government combined with the ongoing development of FOI and data protection laws all point to a change in attitudes towards the use and final storage of personal information. Keeping a digital archive legal may become a new specialism.

Anyone who might be interested in organizing a training in one of these fields or is currently working on a research project he would like to present, please do not hesitate to contact the EABH office and we will be delighted to cooperate on this.

We started the afternoon session: HSBC Internal Communications and Sustainability with Tina Staples watching and discussing the film “new employee” which HSBC shows to its new employees in order to establish a sense of identification and loyalty, right from when people join the bank.

The HSBC archive defines itself as a content provider and directly collaborates with the internal communication department. Likewise the archive provides content for the “About us” section of the homepage, new stories, launches, anniversaries, exhibitions, for plasma screens, info and entertainments, HSBC TV, facebook style community sites, etc. The archive has partnerships with other functions (i.e. Indian summer project with the Cultural Sponsorship Team, HSBC History Wall with Advertising and Corporate Real Estate). The archive engages

senior executives through exhibitions, “behind the scenes tours”, content for speeches and presentations, etc., and the archivist are “doing it for themselves” through advertising postcards, an intranet story, literary links, take away brochures, an on-line gallery, etc.

Tina Staples concluded the session answering the question why archives should act as content providers. First and foremost because archives contain potential that would otherwise be locked away on the shelves. Archives should maximise size & scope of their audience, make new contacts in new areas and likewise raise their profiles. The management has to be reminded that the corporate memory doesn't just manage itself. Archives add direct value to the business through staff engagement & brand enhancement, which increases the management support in the long run. If archives work successfully as content providers they create a win-win situation for both parties, the archives itself and their collaborators. At HSBC, its archives are seen as part of the sustainable approach to business. The key area of participation is defined as the preservation of the HSBC history which goes beyond just banking. It is the shared history of people, communities, cultures, nations, politics, world events, innovations. The archive is open for students and academic researchers, genealogist, museums, film-makers, writers etc. Another important objective is to make the archive more globally accessible through digital archives management, and capture likewise the corporate memory in the 21st century. Last but not least, one of the most important lessons learned is that archives contain relevant material to provide tangible evidence of the success of previous sustainable approaches and lessons to be learnt from less sustainable choices. After that inspiring presentation we visited the HSBC History Wall.

The Baring Archive has a “special floor” where it exposes a group of historical portraits and other pictures relating to Barings and the city of London and which is used to welcome visitors. On the kind invitation of Baring's archivists the group spent a marvellous evening at a reception

at Barings, rounded off by a guided tour by Clara Harrow. Please use the following link to browse the exhibition online:

www.baringarchive.org.uk/art_collection/browse/

On the last day we were kindly invited to come to The Rothschild Archive where Melanie Aspey guided us on a tour of the Foundation. We visited the Rothschild reading room, had an insight into the technical requirements to keep all the material safe over time, and had the chance to explore some of the archives physical treasures and the inspiring stories linked to them.

Archival work means preserving objects and records in order to provide present and future generations with historical evidence. But more than that, it is about the stories behind the material. Every story that “survives” will probably provide us with more knowledge than mere historical evidence might be able to. We may not all agree on whether humanity learns out of its failures, but people do listen to “true stories” and their essence remains with the listener. That has been my personal lesson through having a closer look at the details of the successful growth of the Rothschilds' family business.

We ended the Summer School presenting the results of the participants' group work on the analysis of the current EABH homepage; designing a concept with the necessary requirements for its needful reconstruction. A presentation of the concept for the new Rothschild Archive website kindly offered by Justin Cavernelis-Frost had been of great help within this connection. The Summer School ended with the handing over of Certificates.

We are looking forward to continue with this fruitful training series in 2012!

Carmen Hofmann
EABH e.V.

Financial History Review

Published in October, the second part of Volume 17 of the Financial History Review contains a fascinating and informative collection of articles and reviews.

The past mirror: notes, survey, debates

Michael Bordo and Harold James

The Great Depression analogy

Articles

David Le Bris and Pierre-Cyrille Hautcoeur

A challenge of triumphant optimists? A blue chips index for the Paris stock exchange, 1857-2007

François R. Velde

The case of the undying debt

Kim Oosterlinkck

French Stock exchanges and regulation during World War II

Jane Knodell

The role of private bankers in the US payments system, 1835-1865

Book Reviews

Philipp L. Cottrell, Ian L. Fraser and Monika Pohle Fraser, East Meets West - Banking,

Commerce and Investment in the Ottoman Empire (reviewer: Yücel Terzibaşoğlu)

Jeffrey M. Chwieroth, Capital Ideas: The IMF and the Rise of Financial Liberalization

(reviewer: Geoffrey Wood)

Karl Gratzler and Dieter Stiefel (eds.), History of Insolvency and Bankruptcy from an

International Perspective (reviewer: Pierre-Cyrille Hautcoeur)

Michael W. Klein and Jay C. Shambaugh, Exchange Rate Regimes in the Modern Era (reviewer: Scott Urban)

A Note

Mari Ohnuki, Daisuke Murakami and Masanori Takashima, Research on financial and

monetary history based on the records of the Bank of Japan Archives: a note

Call for Papers 2nd EABH Workshop for Young Scholars

The European Association for Banking and Financial History (EABH) is organizing a workshop for young scholars (within 5 years of PhD) in the fields of monetary and financial history.

Papers on all topics in the field of insurance, banking, financial and monetary history will be considered, but those working in the following areas are particularly welcome:

Models of corporate governance

How have corporate governance models developed throughout history? For example, what are the roots of the Continental European or Rhineland (two-tier) model vis-à-vis the Anglo-Saxon model? Do other governance models prevail in the financial sector? Has a changing environment in relation to stakeholders, globalization, and business systems had an impact on the corporate governance of financial institutions, such as banks and insurance companies?

Governance mechanisms in financial institutions

Which mechanisms/factors have influenced the corporate governance of financial institutions, including ownership structures (role of families, shareholders, cooperative organizations, state banks etc.) and boards of directors? What are key differences and similarities in corporate governance of different players in the financial sector?

Regulation and legislation of governance

How does government regulation relate to developments in the financial sector? What are the consequences, for example, of countries joining the EU, the consequences of the current crisis? Does an economic or financial crisis have consequences for the corporate governance of a financial institution?

The workshop will be held at Erasmus University Rotterdam, the Netherlands. All costs (travels, accommodation, food) for presenting authors will be covered.

Paper proposals should be sent by **15 January 2011** to: Abe de Jong, Rotterdam School of Management, ajong@rsm.nl or info@bankinghistory.de

The committee consisting of:

- Stefano Battilossi (Universidad Carlos III de Madrid; Editor of Financial History Review)
- Ingrid Elferink (Historical Archive ING)
- Abe de Jong (Rotterdam School of Management, Erasmus University)
- Joke Mooij (Company History Rabobank)
- Anders Perlinge (Foundation for Economic History Research, Stockholm)

will announce decisions by the end of January 2011.

The best paper presented will be invited for a presentation at the annual EABH conference in Amsterdam 20-21 May 2011 in Amsterdam.



ETCetera

Journal of the
Early Typewriter
Collectors' Association

Do you recall times before computers?

I do. I recall also my first typewriter; a very cheap one, bought with an honorary for writing a few texts for a bi-weekly journal. And I also recall more than a few novels where the typewriter was the main character. Even one which had two main characters, one named Qwertyu and the other named Op.

Well, the fascinating world of typewriters is past. But this world has created a new world of people fascinated with this past. Thus, it is no surprise that there is an Early Typewriter Collectors Association. They network people fascinated with typewriters and they also have a quarterly magazine, named ETCetera which is available in English, German, and Spanish. The journal has been published since 1987.

To get in contact go to <http://typewriter.rydia.net/etcetera.htm>.



Of course, members of the Association and the main organisers also have their own collections and museums of typewriters, and there are links to some very interesting collections as well. The editor of the ETCetera, Richard Polt, is creator of The Classic Typewriter Page (<http://site.xavier.edu/polt/typewriters/index.html>) and few illustrations below are borrowed from his web page. The Classic Typewriter Page has been visited 1,033,563 times.





ETCetera

Journal of the
Early Typewriter
Collectors' Association

Do you recall times before computers?

I do. I recall also my first typewriter; a very cheap one, bought with an honorary for writing a few texts for a bi-weekly journal. And I also recall more than a few novels where the typewriter was the main character. Even one which had two main characters, one named Qwertyu and the other named Op.

Well, the fascinating world of typewriters is past. But this world has created a new world of people fascinated with this past. Thus, it is no surprise that there is an Early Typewriter Collectors Association. They network people fascinated with typewriters and they also have a quarterly magazine, named ETCetera which is available in English, German, and Spanish. The journal has been published since 1987.

To get in contact go to <http://typewriter.rydia.net/etcetera.htm>.



Of course, members of the Association and the main organisers also have their own collections and museums of typewriters, and there are links to some very interesting collections as well. The editor of the ETCetera, Richard Polt, is creator of The Classic Typewriter Page (<http://site.xavier.edu/polt/typewriters/index.html>) and few illustrations below are borrowed from his web page. The Classic Typewriter Page has been visited 1,033,563 times.

